

# Crown Corporation Business Plans

for the fiscal year 2011–2012



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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**

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# **Crown Corporation**

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

### FOR THE FISCAL YEAR 2011–2012

#### Art Gallery of Nova Scotia ***Business Plan 2011–2012***

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# Message from the Minister

On behalf of the new Department of Communities, Culture and Heritage, I am pleased to present the business plan for the Art Gallery of Nova Scotia for the 2011–2012 fiscal year.

The Art Gallery of Nova Scotia is the primary visual arts institution in our province and plays a significant role in promoting the value of art appreciation through its exhibitions and special programs. The Province of Nova Scotia supports its commitment to serving the public through collecting, preserving, and making accessible the visual arts.

The gallery's mission is to tell the story of Canadian art with a Nova Scotian accent. By displaying and interpreting the provincial art collection, Nova Scotians are linked to the wider Canadian cultural experience. This reinforces the provincial government's commitment to develop and strengthen our arts and culture sector as set out in a five-point plan announced by Premier Darrell Dexter in January 2011.

Our artists and the work they produce enhance the quality of life of our citizens and ensure that Nova Scotia plays a role in the broader Canadian cultural experience. This is key to building strong, vibrant, healthy communities across Nova Scotia.

The Art Gallery of Nova Scotia plays a central role in providing access to those works for the people of Nova Scotia and our visitors. The department, with its focus on culture in the broadest context, looks forward to supporting the gallery as it continues to pursue its mission in the year ahead.

Sincerely,

The Honourable David A. Wilson  
Minister, Department of Communities, Culture and Heritage





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## Mission

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

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## 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 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 is the principal art museum of the Province of Nova Scotia. It is responsible for maintaining the Crown's art collection on behalf of the Crown and for ensuring public access to this resource. AGNS is the largest art museum in Atlantic Canada and serves as an anchor cultural organization for the entire region. As one of only three provincial art galleries in Canada that operate as Crown agencies (the other two are in Newfoundland and Quebec), 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, AGNS holds and executes a public trust. As one would expect, funding for 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 challenges and increasing competition for public and private resources.

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, in representing and interpreting the value of AGNS to community, government, corporate, and other funding agencies.

AGNS has the responsibility to acquire, maintain, conserve, research, publish, and make accessible the Crown's art collection. The principal activities of AGNS are the acquisition, preservation, and research of arts 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, AGNS has provided these services through two venues: AGNS at Halifax and the AGNS Western Branch in Yarmouth.

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. Over 2009–2010, 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. This process will continue through the 2011–2012 fiscal year, contributing to the increasing financial stability of AGNS. The goal of stability received a significant boost in

2010–2011 when AGNS received a major gift in excess of \$1,000,000. This legacy, from the estate of Jane Shaw Law, will greatly enhance our Endowment Fund, which generates interest revenue to support our acquisitions, exhibition, and education programs.

While our projected 2011–2012 budget includes a deficit, which reflects the economic realities associated with maintaining the Crown's building and art collection in this fiscal climate, the gallery's economic picture continues to improve through support of government and private-sector partners.

While the collection held by AGNS has grown rapidly in recent years, the gallery has begun to shift focus toward fewer new acquisitions, targeted to fill specific gaps in our permanent collection. In 2010–2011, for example, we acquired a key 18th Century painting depicting the first fall of Fortress Louisbourg, with the assistance of Canadian Heritage and a private patron. We also acquired a key American Modernist painting, painted in Nova Scotia, with the assistance of a bequest and additional support from Canadian Heritage. In 2011–2012 the gallery will continue to target specific acquisitions that immediately boost the permanent collection and enrich the experience of visitors to AGNS.

Through its programs and leadership, AGNS contributes to the positive environment that promotes the growth of the visual arts in Nova Scotia. It aspires to identify, acknowledge, encourage, and support the very finest achievements in the arts—to

bring these to the public, encourage their growth, and promote awareness, from the local level to the international stage.

The provincial government, Atlantic Canada Opportunities Agency, and AGNS are commissioning a feasibility study to explore the options and opportunities to build a new AGNS, one that features more space for the collections and for temporary exhibitions, and that consistently meets the environmental standards needed to preserve the collection for the long term. Completion of this study, delivery to Executive Council of recommendations for going forward based on the study's findings, and planning for the next steps will be a major priority for AGNS in the 2011–2012 fiscal year.

## Strategic Goals

AGNS has several areas of longer-term direction:

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

With financial sustainability, AGNS will secure its role as a key driver in increasing the economic potential of Nova Scotia's cultural sector and acting as an economic engine for tourism, for the creative economy, and for HRM, the province, and the region.

2. **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. As such, continuing to use the permanent collection as the foundation of our temporary exhibition program and the continued strategic acquisition of key objects that enhance our ability to tell Canada's stories with a Nova Scotia accent will be a priority in the coming fiscal year. So, too, will be the maintenance of a physical plant that can serve the needs of the Crown's art collection for the present and into the future.

3. **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.

While this is an ongoing process, and while many effective and popular programs are currently being offered, the long-term goal is to ensure that program enhancements and growth continue in a manner responsible to the needs of the province's communities and visitors while remaining financially self-sustainable.

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 being properly carried through and that changes are made to reflect emerging realities where warranted.



## 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, three of which fall under the purview of our Curatorial department, while our ancillary functions are the responsibility of the Finance and Operations and Development areas.

### **1. Curatorial**

#### **1(a) Collections and Conservation**

AGNS acquires artworks for the permanent collection consistent with the mandate of the acquisition policy and of the AGNS mission statement. The gallery maintains related library, film, video, and resource support materials along with institutional archival records pertaining to collections, exhibitions, and institutional history. AGNS ensures proper management of the collection through documentation, maintenance of records, and research. The Art Gallery of Nova Scotia strives to ensure that the Province of Nova Scotia's collection is preserved and maintained in an environment that meets museum standards, while conducting conservation and restoration treatments using accepted practices of research, examination, analysis, and documentation.

#### **1(b) Exhibitions**

In the area of exhibitions, AGNS is committed to the mission of bringing art and people together. In addition to our annual Sobey Art Award exhibitions, AGNS presents a wide range of art in our exhibition programs in Halifax, Yarmouth, and across Nova Scotia through our travelling exhibition and outreach 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 premier 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 and making it available on loan to institutions across the region, the country, and beyond our borders. 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, across the region, and the country. To that end we actively seek partnerships to ensure that our contemporary Canadian projects (which 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, to developing exhibitions that examine the work of individual artists, and to a publication program that does justice to their work. Thematic exhibitions that we develop 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, with a focus on artists based in this region.

#### **1(c) Education and Public Programming**

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.

#### **2. Development and Auxiliary Services**

This business function serves to financially maintain the operations of AGNS and to encourage the public to visit the Art Gallery of Nova Scotia and engage in the visual arts.

AGNS creates market awareness by various public relations tools. AGNS promotes membership to the public. These memberships not only generate revenues; they create a sense of ownership, helping to recruit volunteers who assist the gallery in all aspects of its operations, including fundraising, governance, and program delivery. The gallery publishes a member's magazine, the *AGNS Journal*, produces a monthly e-newsletter, and maintains an active web presence on our website, on Facebook, and through other social media.

The gallery provides auxiliary services that benefit visitors and members while increasing gallery funding. Services include membership, volunteer programs, the





Gallery Shop, facilities rentals, Art Sales and Rental (a related society housed in our premises), and a café.

The gallery maintains strict financial controls and accounting, ensuring transparency in our operations and fiscal responsibility across all our operations.

## Priorities for 2011–2012

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

### ***Core Business Area 1: Curatorial Collections care, exhibitions and education, and public programming***

#### **Priority 1: Collections Care**

The current physical plant continues to have severe limitations as a secure art storage and display environment. A key priority for 2011–2012 will be to continue the work of mitigating as much as possible the shortfalls, while planning to ensure the long-term safety and stability of the Crown's art collection. We will implement a comprehensive storage plan that was developed in 2010–2011. As part of this implementation, we will consolidate the majority of our storage into five locations: four vaults on site and one large off-site facility. This will free up financial resources and will also free up exhibition

and collections-management spaces on the fourth floor of AGNS's North Building.

#### **Priority 2: Acquisitions**

The gallery's acquisition strategy for 2011–2012 will include the acquisition of eight major works to enrich the permanent collection in targeted areas. Telling the story of Canadian art with a Nova Scotia accent is the gallery's vision, and a targeted program of securing, through gift and purchase, significant artworks that enhance that story will directly affect the gallery's role as the leading art museum in Atlantic Canada. Over the past years, the gallery has depended primarily on gifts to build the collection. While we will continue to accept such gifts, where appropriate, we will narrow our focus in the coming year to target specific holes in our collection—gaps where we cannot currently tell the art historical story we are charged with. Areas such as Canadian contemporary (primarily Atlantic Canadian and Sobey Art Award nominees), First Nations, and Atlantic Canadian historical and international works with a reference to Nova Scotia will be the main areas covered in this program.

#### **Priority 3: Exhibitions**

Building on our rich permanent holdings, our exhibition slate celebrates Canadian art: contemporary, historic, and folk. We have developed solo exhibitions for key senior artists in the region and have established partners in touring them nationally. In the gallery's Western Branch we have established

a distinct “Folk” brand that opens the door to a sustainable model for our success. Through these targeted exhibitions, as well as through our ongoing permanent collection displays, we will increase familiarity with, and context for, Canadian art and Nova Scotia’s unique place in that story.

**Priority 4: Education**

We will continue implementation of a comprehensive programming model and materials for the AGNS permanent collection exhibition *A View from the Atlantic*, including enhanced didactic, as well as making links to school curriculum. A continuing priority is to strengthen programming available in both French and English. A refreshed and concerted effort will be made to target schools and increase class visits to the gallery.

**Core Business Area 2:  
Development and Auxiliary Services****Priority 5: Marketing  
and Communications**

AGNS Marketing has developed a comprehensive campaign focusing on the complete package of core and ancillary gallery services through the theme of fulfilling the five senses. Through a tiered campaign of print, billboard, and online ad buys, the campaign will focus on generating general regional interest in the gallery’s brand as an entertainment centre with a variety of specific interest offerings. The campaign will enable AGNS to reach new audiences from

metro and suburban HRM, with an emphasis on female purchase decision makers in the entertainment dollars category. We anticipate targeting commuters to downtown Halifax as well as audiences from the Dartmouth and outlying areas of Halifax through direct advertising at consumer touch points in the outlying areas of HRM.

**Priority 6: Development**

AGNS Development has crafted a development plan for fiscal 2011–2012 focusing on three pillars of sponsorable properties from the gallery’s core services and existing infrastructure. Working with the Development Committee of the AGNS board, Development will target regional and national corporate sponsors with properties, exhibitions, and programming matched to their corporate social-responsibility models. Targeted asks to philanthropic foundations and giving centres will accompany the strategy with an emphasis on multi-year agreements in both categories for existing and upcoming AGNS properties.

**Priority 7: Feasibility Study**

In 2010–2011 the provincial and federal governments joined with AGNS in providing the funding for a feasibility study to look at a new AGNS building. A major priority for AGNS in 2011–2012 will be the successful awarding of the contract, working with the preferred bidder to complete the feasibility study, and doing the preparation work to develop a strategy for responding to the



study and beginning to implement its recommendations. This will include a board of governors strategic retreat as well as working with stakeholders to address the issues raised by the study.

## Human Resource Strategy

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, including setting of annual objectives and performance appraisals.
- Implement the volunteer policy that addresses recruitment, retention, training, scheduling, and, most importantly, recognition.
- Provide training and development for the professional growth of employees.
- Continue the development of a comprehensive staffing plan that supports the realigned business objectives of AGNS.



# Budget Context

	Estimate 2010-11 (\$)	Forecast 2010-11 (\$)	Estimate 2011-12 (\$)
<b>Revenues</b>			
Gallery operations			
Province of Nova Scotia grant	2,029,300	2,343,639	2,046,000
Admissions and memberships	221,612	176,285	199,206
Donations and other	362,590	321,487	376,500
Programming recoveries	604,830	634,958	606,170
Gallery recoveries	36,000	27,281	36,000
<b>Total gallery operations</b>	<b>3,254,332</b>	<b>3,503,650</b>	<b>3,263,876</b>
Gallery shop	346,000	196,614	315,000
Endowment fund	60,000	1,229,998	55,000
Acquisition fund	134,424	49,855	63,000
<b>Total revenue</b>	<b>3,794,756</b>	<b>4,980,117</b>	<b>3,696,876</b>
<b>Expenses</b>			
Gallery operations			
Salaries and benefits	1,867,748	1,705,508	1,936,707
Building operations	744,800	760,847	756,770
Programming	608,800	658,142	631,350
Development and public relations	282,010	252,288	257,378
Western Branch	150,000	147,653	140,128
<b>Total gallery operations</b>	<b>3,653,358</b>	<b>3,524,438</b>	<b>3,722,333</b>
Gallery shop	397,145	232,446	307,727
Endowment fund	60,000	20,973	22,000
Acquisition fund	134,424	80,500	95,000
<b>Total expenses</b>	<b>4,244,927</b>	<b>3,858,357</b>	<b>4,147,060</b>
<b>Surplus (deficit)</b>	<b>(450,171)</b>	<b>1,121,760</b>	<b>(450,184)</b>



# Outcomes and Performance Measures

## Core Business Area 1 Curatorial

*Priority 1 (Collections Care): Mitigate any shortfalls in the current physical plant's capabilities as a secure art storage and display environment, and implement storage plan.*

Outcome	Measure	Baseline Data	Targets	Trends	Strategies to Achieve Targets
Short-term mitigation of limitations for art storage and display	Safe storage and display conditions	Storage plan established in 2010–11	Short-term mitigation measures to be in place by summer 2011 Long-term storage rationale for 2012–15	Storage plan reduces reliance on external storage providers	Continue to work with TIR on building issues; continue to develop off-site storage; revisit exhibition schedule to address building issues Build extra racking for off-site storage and consolidate storage units

*Priority 2 (Acquisitions): Make eight major acquisitions to enrich the permanent collection in targeted areas.*

Outcome	Measure	Baseline Data	Targets	Trends	Strategies to Achieve Targets
Enriched permanent collection Fewer gaps in our ability to tell the story of Canadian art from a Nova Scotian perspective	Acquisition of eight major works of art that enhance the permanent collection	Two major acquisitions targeted in 2010–11	Addition of eight major acquisitions to the permanent collection	Increase number of major acquisitions from two to eight.	Establish targets for acquisitions as part of an acquisition plan Work with funders, donors, and artists to establish fundraising strategy for acquisition of work

*Priority 3 (Exhibitions): Open major solo exhibitions for key senior artists in the region and tour them nationally. Continue the launching of our distinct "Folk Art" brand in the Gallery's Western Branch.*

Outcome	Measure	Baseline Data	Targets	Trends	Strategies to Achieve Targets
Mounting of two solo major exhibitions by Nova Scotia-based artists	Successful opening of first exhibition in spring 2011 at AGNS Opening of second at National Gallery in fall 2011	In 2010-11 research and development began for these two exhibitions	Loans secured for major exhibition; initial contacts made for venue partners; publications plans in place; launch of first of two exhibitions in spring 2011, second in fall 2011	Preparation for these two exhibitions began in 2010-11 for opening in 2011-12	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 were mounted in 2010-11	Six exhibitions drawn from permanent collection	100% increase in exhibitions drawn from permanent collection in 2011-12	Continue ongoing research into permanent collection Assign curatorial resources to developing exhibitions
Continued branding of Folk Art museum at Western Branch	Refreshed exhibition and didactic materials for the folk exhibition at WB	Initial plan for folk art focus established in 2010-11	Exhibition of five distinct installations at WB with accompanying bilingual didactic	Initial installation in 2010-11 Installations will be refreshed and reinstalled with a goal to increase community buy-in	Ongoing research on folk collection Meetings with partners and artists in the area to establish community participation



**Priority 4 (Education and Public Programming): Continue implementation of the comprehensive programming model and materials for the AGNS permanent collection, including enhanced didactic, links to the school curriculum, and strengthened programming in French and English.**

Outcome	Measure	Baseline Data	Targets	Trends	Strategies to Achieve Targets
A targeted strategy for bilingual access to AGNS permanent collection exhibition <i>A View from the Atlantic</i>	Use of bilingual materials: <ul style="list-style-type: none"> <li>• didactic materials</li> <li>• tours</li> <li>• labels</li> </ul>	In 2010–11 we had no bilingual labels, didactics, or family guides	Increase number of French language visitors to AGNS programming	Increase bilingual family guide from 0 to 1 Increase bilingual didactics from 0 to 5 Increase bilingual labels from 0% to 100%	Create bilingual family guides, didactics, and labels
Increased school use of the AGNS permanent collection exhibition <i>A View from the Atlantic</i>	Number of class visits, website traffic, and requests for didactic materials from schools and teacher comments	In 2010–11 we projected 185 class visits (comprising over 3000 students)	Increase class visits by 10%	Increased use of gallery programs by schools, daycares, home-school groups, and universities	Workshops for teachers on professional days to increase awareness of gallery programs and tours School visits by curatorial staff to increase awareness of service offerings, targeted programs aimed at tie-ins to curricula

## Core Business Area 2 Development of Auxiliary Services

*Priority 5 (Marketing and Communications): Consolidate gallery marketing and advertising in an umbrella campaign highlighting all service offerings from the gallery's core and auxiliary services.*

Outcome	Measure	Baseline Data	Targets	Trends	Strategies to Achieve Targets
Increased membership revenue	Number of memberships	2010–11 forecast of total memberships was 1,312	Increase memberships by 26% over fiscal 2010–11	Revenue increase due to 330 new memberships over 2010–11 Retention of all existing memberships	Set monthly targets managed by the Membership Coordinator specific to existing membership and development of new target membership categories Implement detailed membership sales plan
Increased admission revenue	Number of paid admissions	2010–11 forecast of paid admissions was 16,729	Increase attendance by 6%	Revenue increase due to 1,000 paid admissions over 2010–11	Target marketing specific to Gallery One exhibitions Launch media campaign including promotional material circulation at all Visitor Information Centres

*Priority 6 (Sponsorships and Special Events): Successfully fulfill the objectives as outlined in the 2011–2012 AGNS development plan.*

Outcome	Measure	Baseline Data	Targets	Trends	Strategies to Achieve Targets
Increase programming and infrastructural sponsorships	Total sponsorship revenue	Measured on target identification as outlined in the 2011–12 development strategy	Meet target of \$110,000	Revenue increase from 2010–11	Targeting new potential sponsors and expanding on previous institutional relationships with partners matching these to a comprehensive inventory of Gallery properties.
Increase special event revenue	Total special event revenue	2010–11 forecast of special event revenue \$111,324	Increase special event revenue by 12%	Increased revenue generation from Annual Gala and the introduction of new fundraising events	Fill vacancy of Development Officer who will be measured on revenue generation and successful organization of special events Build on past success with 2010 Gala “Carnivale” for 2011 and further develop partnerships for new opportunities



*Priority 7 (Feasibility Study): Complete a feasibility study on a new AGNS building and developing a strategy for responding to the study and beginning to implement its recommendations.*

Outcome	Measure	Baseline Data	Targets	Trends	Strategies to Achieve Targets
Completed study delivered to government	Delivery of study	Study RFP developed in 2010–11 Contract awarded in early 2011–12	Completion of study by November 2011. Preparation of implementation plan before end of fiscal 2011–12	Successful delivery of completed study, including costing, business planning, and public consultation	Prepare and release RFP Work with successful bidder to complete study Board strategic retreat Public consultation Completion of business plan looking at ongoing operational costs of proposed model



# **Crown Corporation**

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

### FOR THE FISCAL YEAR 2011–2012

#### Halifax-Dartmouth Bridge Commission *Business Plan 2011–2012*

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## Message from the Chair

It is with pleasure that I submit the business plan for the Halifax-Dartmouth Bridge Commission (operating as Halifax Harbour Bridges, or HHB) for 2011–12.

The past fiscal year was one of setting the stage for the future. For the first time since the early 1990s, HHB applied to the Nova Scotia Utility and Review Board (NSUARB) for a toll increase, an increase that is needed to help fund significant maintenance and construction projects planned for the next several years.

For example, the suspended span on the Macdonald Bridge will be replaced with on-site work beginning in 2015. This will be the largest project to take place on the bridges since the MacKay Bridge opened in 1970. At the time of our application to the NSUARB the estimated cost of this project was \$137 million (2009 dollars). In planning for this project, HHB will ensure that the MacKay Bridge has necessary maintenance complete to minimize traffic disruptions during the Macdonald Bridge suspended span re-decking project.

We were pleased with the NSUARB's decision to approve HHB's application because borrowing alone is not a prudent, fiscally responsible alternative. The NSUARB recognizes that a toll increase is necessary for the long-term maintenance of the bridges. The increase, the first for passenger vehicles since 1992, comes into effect April 1, 2011. The MACPASS toll increase will be phased in over two equal steps: the first increase as of April 1, 2011, the second as of April 1, 2012.

HHB continues to see increasing numbers of traffic across the bridges. At the end of 2010, the total number of crossings was 33.8 million, an increase of almost 10 per cent from 2005. While there was a time when this type of growth was celebrated, it now is a cause of concern because the bridges are reaching their capacity. Even the slightest incident can cause congestion to build quickly.

In 2011–12 we will continue to focus on minimizing the occurrence of incidents and clearing them quickly when they do occur. We will also continue to use technology to manage the demand by promoting our electronic tolling system, MACPASS, and other traffic management tools such as the variable message signs.

The bridges are vital transportation links and determining factors in the economic development of HRM and the region. We will continue to participate in the discussions around ensuring a sustainable transportation system for our region and investigating new strategies to ensure HHB's ability to keep traffic moving efficiently and safely over Halifax Harbour.

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 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 members are Regional Councillors, appointed by Halifax Regional Municipality. Within the board structure, standing committees provide governance and direction to: audit, 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 50 members of Commissionaires Nova Scotia (CNS) who are under contract and have provided operational services to the bridges for 56 years.

### *Strengths*

- HHB has 56 years of experience in maintaining and operating suspension bridges.
- HHB has strong expertise in electronic toll collection.

- 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 has 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.

### *Weaknesses*

- The bridges are reaching their mid-life. As they age they become more expensive to maintain.
- Based on current traffic growth projections, the bridges are approaching full capacity. Traffic continues to grow year over year. There is very little that can be done to HHB infrastructure to ease congestion.
- The potential for additional capacity on the two bridges is limited because of limited access and egress capacity. This is particularly the case on the Macdonald Bridge and the existing adjacent HRM road network.

### ***Opportunities***

- HHB continuously looks for ways to make crossing the bridges more efficient for the travelling public.
- HHB continues 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.
- HHB continues to participate in the discussion of sustainable transportation in this region and has the potential for a greater role in transportation planning.

### ***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 the bridges is of the utmost priority for HHB. In 2009 HHB initiated a three-year state-of-the-art security project.
- There has been a renewed discussion at the municipal level of allocating a portion of the tolls to help fund public transportation. While HHB strongly supports the growth of public transportation in the community, it does not believe it is fair for only bridge

users to fund public transportation. The revenue generated through tolls is critical in ensuring the bridges are well maintained.

## **Strategic Goals**

To carry out its mission, Halifax Harbour Bridges developed 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 all vehicle crossings using MACPASS to 80 per cent in the long term.
- Implement a traffic awareness campaign focused on the reduction of speed on HHB facilities.

## Core Business Areas

### *Operational Safety and Emergency Preparedness*

**Objective: To ensure the safety and security of the travelling 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, variable message signs, and separate sidewalk and bicycle lane on the Macdonald Bridge.

#### **Focus for 2011–12**

- Enhance the use of variable message signs (VMS) and speed indicator signs in key decision points on the approaches to the bridges. Explore opportunities for public safety messaging aimed at the root causes of traffic collisions.
- Improve operational response through a new operational centre that uses existing and new technology.

### *Maintenance*

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

Each year the two harbour bridges receive a rigorous inspection to identify maintenance requirements and to ensure that items from previous inspections are being addressed properly. The annual inspection determines the course of action for the current year. The annual inspection report forms the basis of the three-year maintenance plan.

The major projects completed in 2010 included replacement of expansion joints at the MacKay Bridge main towers and adjacent deck panels, followed by the resurfacing of the MacKay Bridge suspended spans. A concrete median barrier (Jersey barrier) on the Dartmouth approach road to the MacKay Bridge was also installed. As part of the federal infrastructure development and economic stimulus package, the federal government provided funding of \$3.6 million to match the \$3.6 million from borrowing and toll revenues for this project.

A micro-surfacing surface treatment was applied to the Barrington on-ramp to the Macdonald Bridge.

The main cables of the Macdonald Bridge went through an extensive inspection and were found to be in excellent condition and won't need to be replaced as part of

the Macdonald Bridge suspended span re-decking project.

#### **Focus for 2011–2012**

The focus in 2011–2012 will be to replace the traction rods and suspender ropes at mid-span of the MacKay Bridge. The main cables will be inspected at the same time, since the cable wrapping must be disturbed for the traction rod work. A monitoring program will be conducted to provide a better assessment of the MacKay Bridge suspended spans deck life. It is also planned to add wind vibration dampers to the cable bent struts and conduct concrete repairs on one of the cable anchorages at the MacKay Bridge. On the Macdonald Bridge the cable anchorages will be waterproofed.

The extensive maintenance at the MacKay Bridge is part of the longer-term plan to ensure that major maintenance projects are complete in preparation for replacement of the suspended spans on the Macdonald Bridge between 2014 and 2016. This is part of HHB's commitment to avoid traffic congestion by ensuring that both bridges are not undergoing significant projects at the same time.

#### ***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 early 2010 HHB saw the successful implementation of a new product in partnership with the Halifax Stanfield International Airport. MACPASS*plus* allows MACPASS customers to pay for short- and long-term parking in the parkade at the airport. This service provides drivers the convenience of reduced wait times and cashless parking. HHB looks to build on the success of the MACPASS*plus* program with other regional mobility operations.

HHB commissioned a study to investigate the impact that peak-period tolling (also known as time-of-day tolling or congestion pricing) and one-way tolling might have on reducing congestion. Results indicate that given current conditions, peak-period tolling and one-way tolling on the harbour bridges would not noticeably assist in reducing traffic congestion at this time. In addition, those who would choose alternative routes would find those routes congested.

#### **Focus for 2011–12**

For the next fiscal year efforts will be made to gain further understanding of how to best implement future tolling efficiencies and focus on reducing costs by utilizing technology.





## Priorities for 2011–2012

HNB's priorities in support of the core business areas for 2011–2012 are as follows.

### ***Safety and Emergency Preparedness***

- Enhance the use of variable message signs (VMS) and speed indicator signs in key decision points on the approaches to the bridges. Explore opportunities for public safety messaging aimed at the root causes of traffic collisions.
- Improve operational response through a new operational centre that uses existing and new technology.
- Implement a traffic awareness campaign focused on the reduction of speed on HNB facilities and increased attention to safe driving habits.

### ***Maintenance***

#### **MacKay Bridge**

- Replace the traction rods and suspender ropes at mid span of the MacKay Bridge.
- Add wind vibration dampers to the cable bent struts and conduct concrete repairs on one cable anchorage.

#### **Macdonald Bridge**

- Waterproof cable anchorages.
- Complete engineering and design work for the re-decking of the suspended spans of the Macdonald Bridge.

### ***Efficient Transportation***

- Research ways to best implement future toll efficiencies.
- HNB will continue to look for ways to make crossing the bridges more efficient for the travelling public.

### ***Safety***

- Develop a world-class safety program.
- Strive for a workplace with no workplace injuries.

### ***Communications***

- Continue to build on improving relationships with stakeholders.
- Implement programs based on customer needs.

### ***Environmental***

- HNB will continue to reduce its carbon footprint and engage staff and the public in environmental decision making to achieve their support.



## Budget Context

	Estimate 2010-11 (\$ 000)	Forecast 2010-11 (\$ 000)	Estimate 2011-12 (\$ 000)
<b>Revenue</b>			
Toll revenue	23,782	24,438	29,394
Other rate charges	144	152	157
Investment and sundry income:			
Trust fund investments	257	172	169
Other	266	1,566	350
Investment income	—	—	—
Contributed revenue	3,200	—	—
Contributed capital contribution	60	65	65
Token reserves taken into income	—	—	—
<b>Total revenue</b>	<b>27,709</b>	<b>26,393</b>	<b>30,135</b>
<b>Expenses</b>			
Operating	6,468	6,274	6,121
Maintenance	3,921	3,378	3,923
Amortization	7,693	7,091	7,499
Debt servicing	2,842	2,829	2,729
Loss (profit) on disposal of property, plant, and equipment	200	160	100
<b>Total expenses</b>	<b>21,124</b>	<b>19,732</b>	<b>20,372</b>
<b>Net operating income</b>	<b>6,586</b>	<b>6,661</b>	<b>9,763</b>



## Future Capital Requirements

Year	Amount (\$ adjusted for inflation)
2011–12	14,500,000
2012–13	7,000,000
2013–14	17,100,000
2014–15	47,600,000*
2015–16	48,300,000*
2016–17	49,500,000*
2017–18	19,300,000
2018–19	3,600,000
2019–20	7,600,000
2020–21	2,600,000
2021–22	2,700,000
2022–23	2,700,000
2023–24	177,300,000**
2024–25	181,700,000**
2025–26	2,900,000
<b>Total capital requirement 2011 to 2026</b>	<b>584,400,000</b>

\* Macdonald Bridge suspended spans re-decking.

\*\* MacKay Bridge suspended spans re-decking.

# Outcomes and Performance Measures

## Core Business Area 1 *Safety and emergency preparedness*

Outcome	Measure	Baseline Data	Target	Trends	Strategies to Achieve Target
Minimize the total number of motor vehicle collisions	Motor Vehicle Act (MVA) statistics	Baseline of 1.2 accidents per 100,000 vehicle kilometres traveled (VKT)	2% reduction in accidents over 2010	38.8 collisions on both bridges in 2009 36.8 collisions on both bridges in 2010	Reduce motorist average speed rates, by providing real-time public safety messaging Expand number of public safety messages utilized by VMS
Develop new operations centre(s)	Enhance coordination of situational awareness for all HHB facilities	Improved operational response times over previous years Proactive incident management strategies based on real-time information	A significant increase in vigilance while being proactive with operational response	Not applicable – new strategy	Reconfigure existing control centre(s) Install new technologies Train staff in new protocols and procedures for centre(s)
Develop and implement a traffic awareness campaign	Annual MVA statistics and reduction in average speed statistics	Baseline of 1.2 accidents per 100,000 vehicle kilometres traveled (VKT) 2010 average speeds	Maintain or reduce 2010 VKT statistics Average speeds to fall in speed: • Macdonald: 50 km/h • MacKay: 70 km/h	Speeds (km/h): • MacKay: 2009: 71.7 2010: 71.4 • Macdonald: 2009: 53.9 2010: 58.0	Develop case for safe driving campaign Design public safety messaging format Acquire appropriate budget funding to support initiative



## Core Business Area 2 Maintenance

Outcome	Measure	Baseline Data	Target	Trends	Strategies to Achieve Target
Mackay Bridge: replace traction rods and suspender ropes at mid span	Final inspection report	<p>Traction rods have not functioned properly and lack appropriate load transfer ability</p> <p>Suspender ropes show minor wire breaks due to excessive movement related to traction rods performance and aggressive environment</p>	2011: 100% completion	N/A	<p>Narrow one lane</p> <p>Restrict work to on one main cable at a time</p> <p>Conduct work in summer months for coating application</p> <p>Plan two overnight bridge closures for traction rod replacement plus several overnight and weekend lane closures</p> <p>Tender March 2011 due to long-delivery items</p>
Mackay Bridge: suspended spans deck monitoring and test program	Final report	<p>Long-range plan anticipates deck replacement in 2022-23</p> <p>Cracks found and repaired in 2009</p> <p>Deteriorated deck with cracks replaced adjacent main towers in 2010</p> <p>Fatigue samples taken from deck panels removed from main towers in 2010</p>	<p>2011: 50%</p> <p>2012: 100% completion</p>		<p>Ensure that strain-gauge monitoring and fatigue laboratory testing are complementary</p> <p>Determine realistic load or deflection criteria</p>
Mackay Bridge: main cable inspection	Final inspection report	<p>Main cables viewed in 1990s on backstay side of cable bents – corrosion noted</p> <p>Inspect at mid span and backstay side of cable bent</p>	2011: 100% completion	N/A	Conduct at same time as traction rod work to take advantage of lane and bridge closures
Mackay Bridge: install wind vibration dampers on cable bent struts	Final inspection report	Struts installed in 2010 observed to vibrate in wind Temporary dampers installed September 2010	2011: 100% completion	N/A	<p>Tender March 2011 due to long delivery of dampeners</p> <p>Conduct during summer months for coating repairs</p>

### Core Business Area 2 *Maintenance*

Outcome	Measure	Baseline Data	Target	Trends	Strategies to Achieve Target
Mackay Bridge: anchorage concrete repairs	Final inspection report	Phase over two years – one anchorage each year	2011: 50% 2012: 100% completion	N/A	Comply with noise by-laws Carry out when cold weather concrete protection not required
Macdonald Bridge: anchorage waterproofing	Final inspection report	Previous materials removed in 2010 to allow concrete inspection	2011: 100% completion	N/A	Carry out during summer months during optimum weather conditions

### Core Business Area 3 *Efficient transportation*

Outcome	Measure	Baseline Data	Target	Trends	Strategies to Achieve Target
Increased efficiency of traffic flow through increasing throughput & reducing congestion	Percentage of MACPASS usage	2001: 32.35%	2011: 72%	2001: 32.35% 2002: 39.07% 2003: 43.33% 2004: 47.13% 2005: 49.28% 2006: 52.06% 2007: 55.00% 2008: 65.77% 2009: 68.72% 2010: 70.0%	Increase distribution Provide excellence in customer service





# **Crown Corporation**

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

### FOR THE FISCAL YEAR 2011–2012

#### Innovacorp ***Business Plan 2011–2012***

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## Message from the Minister

Nova Scotia's prosperity depends in large part on our ability to develop and sell high value goods and services to others. Innovacorp is one vehicle through which we seek to enhance provincial competitiveness with high value goods and services in wider markets.

Innovacorp enables 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)<sup>™</sup> business model, which incorporates incubation infrastructure, business mentoring, and seed and venture capital investment, helps promising 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 deliver on Nova Scotia's *jobsHere* strategy to create good jobs and grow the economy.

Working alongside 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 sophisticated go-to-market strategies, and take on global markets. In 2010–2011, Innovacorp played a key role in ensuring that Nova Scotia knowledge-based companies were positioned to seize opportunities as the global economy continued to recover from the worldwide recession.

Congratulations to Innovacorp on recently winning one of the highest international honours for its work in helping new businesses—the National Business Incubation Association's Randall M. Whaley Incubator of the Year Award and the Dinah Adkins Incubator of the Year Award. The organization's unique approach to helping early-stage companies, combined with its in-house expertise and solid network of partners and stakeholders around the globe, makes it more than worthy of this top honour.

The knowledge economy plays a critical role in the future prosperity of this province. Innovacorp's work to identify and support Nova Scotia companies from the high-growth sectors is an important part of the *jobsHere* strategy to grow our economy. Innovacorp's mission and daily efforts support the three *jobsHere* priorities: growing the economy through innovation, helping businesses compete, and learning the right skills for good jobs.

I look forward to Innovacorp's continued positive impact on Nova Scotia's economic development in 2011–2012 as it works to increase entrepreneurship, innovation, and commercialization throughout the province.

The Honourable Percy Paris  
Minister, Economic and Rural Development and Tourism



## Message from the President and CEO

Let me begin by stating how delighted I am to have joined the Innovacorp team and made Nova Scotia my home earlier this year. I am passionate about this province, its people, its natural beauty, and its potential. I am eager to be part of maximizing the enormous potential here and contributing to the growth of the Nova Scotia economy.

In 2010–2011, Innovacorp strengthened its role in driving the knowledge economy and innovation capital markets in Nova Scotia. More than ever before, Innovacorp's work is benefiting early-stage technology companies across the province. Last year, the companies that have benefited from our High Performance Incubation (HPI)<sup>™</sup> business model generated about \$280 million in export revenues and directly employed about 1,455 people, resulting in a payroll of over \$64 million, most of which was in the form of high-value jobs. The investment capital raised by leveraging our Nova Scotia First Fund surpassed \$106 million.

While our economic, client satisfaction, and leading indicator metrics demonstrate success, we also benchmark ourselves against “best in class” organizations around the world. After a competitive process last year, Innovacorp's HPI business model won the National Business Incubation Association (NBIA) 2010 Incubation Program of the Year award. 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). Subsequently, Innovacorp was honoured with the 2010 Merit Award from the Canadian Association of Business Incubation (CABI).

In 2011–2012, Innovacorp will help Nova Scotia deliver on the *jobsHere* strategy to create good jobs and grow the economy. While all our work—helping early-stage companies commercialize their technologies for export—supports *jobsHere*, we are especially enthusiastic about our participation in creating a private-sector-managed regional venture capital fund, and in structuring and managing a new clean technology venture capital fund for Nova Scotia.

Innovacorp will focus on five strategic areas in 2011–2012:

1. **Access to High Quality Support:** Ensure quality-focused client pipeline management
2. **Access to Capital:** Maximize the impact of the Nova Scotia First Fund
3. **Access to Infrastructure:** Maximize the impact of the Innovacorp Enterprise Centre
4. **Access to Talent:** Ensure globally competitive skills, knowledge, and expertise
5. **Research Commercialization:** Maximize commercialization potential of applied research in Nova Scotia's post-secondary institutions

Every day, we help Nova Scotia's emerging high-potential companies navigate the challenges of expanding their businesses, with incubation facilities, tailored hands-on guidance, and capital. We look forward to 2011–2012 and our continued role in growing the Nova Scotia economy.

While our progress to date has been good, there is much more that needs to be done. Marcel Proust said “the real voyage of discovery consists not in seeking new landscapes, but in having new eyes.” At Innovacorp, we want to help Nova Scotia's new companies maximize their potential through seeing the value they can create by efficiently bringing their intellectual capital to the global marketplace.

Clifford M. Gross, PhD

President and CEO, Innovacorp

## 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 following benefits:

Nova Scotia Knowledge-Based Companies	
<b>Positive Nova Scotia GDP Impact</b> <ul style="list-style-type: none"> <li>• 98% export oriented</li> <li>• Capital investment attraction</li> <li>• Local corporate purchasing</li> <li>• Local wealth creation</li> <li>• Sustainability of operations</li> </ul>	<b>Ability to Attract &amp; Retain Talent</b> <ul style="list-style-type: none"> <li>• High average per person payroll</li> <li>• Diversity of jobs and career growth opportunities</li> <li>• Employability of employees</li> <li>• Urban and rural relevancy and impact</li> </ul>
<b>Provincial Tax Contributors</b> Clean & Green	<b>Potential to Spin-out New Nova Scotia Companies</b>

## 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.***

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 deliver on Nova Scotia's *jobsHere* strategy to create good jobs and grow the economy.

In 2005, Innovacorp developed a road map that laid out some of the necessary conditions that would help define progress toward the desired state of a more established and supportive environment for entrepreneurs in Nova Scotia.

The framework below has helped guide the corporation's board, management and employees in focussing Innovacorp's operational plan and strategic initiatives, in order to make significant strides towards a more sustainable environment for the entrepreneurs of Nova Scotia and beyond.



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.

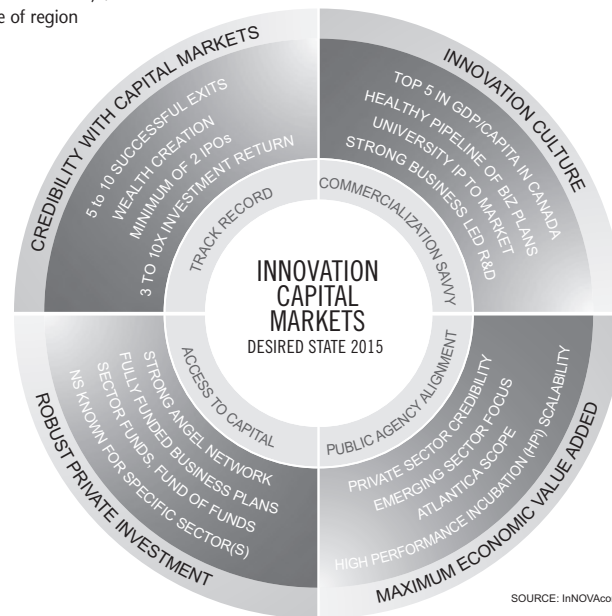
2010–2011 Progress:

- Credibility with capital market players continues to increase 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 3, life sciences x 2
- CVCA, National Angel Organization, Canadian IT Law Association conferences, Agricultural Investment Symposium in Halifax; plus, Nova Scotia is playing an active role in a number of regional and national venture conferences through Innovacorp's participation in company/investment selection committees
- Evidence of spin-out and serial entrepreneur activity
- \$8M Nova Scotia First Fund in 2003 enabled 39 transactions and \$35.1M in leveraged investment, \$13.7M of which came from outside of region

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

2010–2011 Progress:

- Pipeline of knowledge-based company business plans increasing: 05: 85, 06: 106, 07: 158, 08: 198, 09: 184, 10: 185
- University/college case studies, ILO collaboration, Dalhousie CRMBA internships
- Identification of and collaboration with high-commercialization potential post-secondary researchers and staff/clinicians in university-affiliated hospitals
- Early Stage Commercialization Fund (ESCF) in 5th year; submissions: 05: 41, 06: 17, 08: 58, 09: 45, 10: 34; and approved projects 05: 17, 06: 14, 08: 14, 09: 20, 10: 17
- I-3 competition follow-up initiative, focusing on lean start-up concepts



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

2010–2011 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, 10: \$10.4M
- Nova Scotia IT, clean technology and life sciences companies gaining ground, growing revenues, and attracting attention of industry and investment community, but financing remains a challenge
- Innovacorp leveraging its relationship as a limited partner in \$80M clean technology-focused fund
- Nova Scotia First Fund expertise and capacity is being further leveraged to enable the creation of a new regional venture fund and a clean technology venture fund in Nova Scotia

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

2010–2011 Progress:

- The province's *jobsHere* economic development strategy lists innovation, competitiveness, and learning as key priorities
- Private sector engagement and collaboration is flourishing, including active partnerships with legal and accounting firms and I-3 partners
- I-3 competition follow-up initiative, focusing on lean start-up concepts
- IT, life sciences, clean technology focus
- HPI™ business model is continuously refined to ensure maximum value-add and scalability

## Planning Context

Nova Scotia has been affected by the recent recession, the strongest worldwide downturn since the Great Depression. As part of the business cycle, that is considered a short-term effect, but there also have been long-term trends affecting Nova Scotia. Globalization and the rate of technological change have impacted every aspect of life in Nova Scotia. The world around us has been changing at a faster pace than we have. Nova Scotia's economic growth has been the lowest of any province in Canada over the last 20 years. Our GDP growth has dropped consistently in the past three decades, shifting from 2.9 per cent in the 1980s to 1.7 per cent in the 2000s. Nova Scotia's labour productivity was third lowest in Canada in 2008. As well, we are entering a period when demographic changes mean the population of work force age will start to shrink. There is recognition that it is time to do things differently.

In November 2010, the Nova Scotia government released *jobsHere*, the plan to grow our economy. The strategy has three interrelated priorities: learning the right skills for good jobs; growing the economy through innovation; and helping businesses be more competitive globally.

Through the *jobsHere* plan, strategies have been and are being implemented which will improve innovation across all sectors, and focus on strategic investments in

innovation and productivity, increasing our competitiveness and creating higher-value jobs. High-value sectors will be identified, providing Nova Scotia opportunities to connect with partners abroad, and also attract new partners to our province. *jobsHere* outlines specific activities that will assist in developing a highly trained workforce, and creating secure jobs and a secure future for Nova Scotians. *jobsHere* is a clear commitment from the Nova Scotia government to doing things differently in order to make life better for Nova Scotians. The plan supports all areas of the province and all sectors of the economy, meaning we all have a part to play.

Innovacorp was pleased to be part of the development of Nova Scotia's *jobsHere* strategy. We understand we now have an important role to play in helping deliver on the plan, and we are well positioned to do so. While all our work—helping early-stage companies commercialize their technologies for export—supports *jobsHere*, in 2011–2012, we are especially enthusiastic about the role we will play in creating a for-return, private-sector-managed regional venture capital fund, and in structuring and managing a new clean technology venture capital fund for Nova Scotia.



# 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 2011–2012 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)<sup>TM</sup> business model internationally recognized best practice (2010 Business Incubation Program of the Year from the National Business Incubation Association; 2010 Merit Award from the Canadian Association of Business Incubation)
- Brand: Steadily increasing 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: High level of client satisfaction
- Expertise: Opinion leaders in the areas of innovation, commercialization, early-stage investment, entrepreneurship, and knowledge economy
- Expertise: Highly relevant private sector information technology, life sciences, and clean technology business and sector expertise
- Expertise: Human resources expertise
- Governance: Engaged, diversified, and balanced board of directors
- Governance: Robust corporate governance, including a formal risk management system



- Infrastructure: New Innovacorp Enterprise Centre on the Dalhousie campus will be 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)
  - Leadership: Key role in driving the province’s innovation and productivity agenda
  - Metrics: Solid performance measures system and a track record of results, with metrics baselined in 2005
  - Organization: Client criteria focuses on high potential, export orientated Nova Scotia companies that can help grow the economy through innovation, international commerce, and high-value jobs
  - Organization: Relevancy 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 eight years, with fewer full-time employees
  - University: Strong multilevel relationships with universities and community colleges
  - University: Early Stage Commercialization Fund five-year track record, 82 projects funded
- ### **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 attract clients to our IT services platform
  - Infrastructure: Lack of funding to fit up space in the new Innovacorp Enterprise Centre
  - Organization: Succession planning/retention of senior management team
  - Pipeline Management: Capacity to deliver high-quality services to highest-potential clients, while balancing steady flow 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: Clean technology opportunities and funds
- Capital: Create a new private-sector-managed regional 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 the private sector and regional and federal agencies to target investment attraction in key emerging sectors
- Leadership: Collaborate on implementing the province's *jobsHere* strategy
- Metrics: Refine Innovacorp metrics to align with province's new metrics initiative
- Pipeline Management: Continue to leverage online marketing techniques to attract new high-potential clients and strengthen relationships with existing clients
- Pipeline Management: Implement recruitment strategy to ensure new Innovacorp Enterprise Centre is operated in a financially sustainable manner
- Pipeline Management: Leverage new *jobsHere* initiatives (including the international commerce strategy) to assist clients
- Risk Management: Implement risk management best practices
- Talent: Optimize talent recruitment opportunities, including those from outside the region, that arise from the changing landscape of today's economic climate
- Talent: Map existing and medium-term skill gaps and assist in securing talent
- University: Increase collaboration with universities to strengthen entrepreneurial curriculum
- University: Increase the effectiveness and synergies between Innovacorp and industry liaison office teams at universities and colleges across the province
- University: Use the new Innovacorp Enterprise Centre to strengthen relationships with Dalhousie University and the life sciences community

## 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
- Financial: Level of reserves and writedowns relating to high-risk investments and inability to recognize unrealized gains
- Financial: Depressed commercial real estate rates combined with excess building inventory affects Innovacorp incubation infrastructure occupancy and therefore financial sustainability
- Financial: Risk that the Innovacorp Enterprise Centre fails to attract an anchor tenant or attract funding for building fit
- Financial: Unplanned requirement for significant capital investment (e.g., to repair incubation infrastructure) causes Innovacorp to use operational funding
- Financial: Budgetary challenges
- Market: Speed of the global economic recovery affects both access to capital and access to market
- Pipeline Management: Inability to sustain a level of quality support for clients due to the significant increase in the potential client pipeline and decrease in employee head count
- Pipeline Management: I-3 Technology Start-Up Competition three-year track record, capacity building, 270 submissions; two individuals who led the competition no longer with the organization
- R&D: Low level of regional industry-led R&D continues to impede momentum of commercialization progress
- Talent: Ability of the organization to recruit and retain the required key staff and management 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 following benefits:

Nova Scotia Knowledge-Based Companies	
<b>Positive Nova Scotia GDP Impact</b> <ul style="list-style-type: none"> <li>• 98% export oriented</li> <li>• Capital investment attraction</li> <li>• Local corporate purchasing</li> <li>• Local wealth creation</li> <li>• Sustainability of operations</li> </ul>	<b>Ability to Attract &amp; Retain Talent</b> <ul style="list-style-type: none"> <li>• High average per person payroll</li> <li>• Diversity of jobs and career growth opportunities</li> <li>• Employability of employees</li> <li>• Urban and rural relevancy and impact</li> </ul>
<b>Provincial Tax Contributors</b> Clean & Green	<b>Potential to Spin-out New</b> Nova Scotia Companies

## Core Business Areas

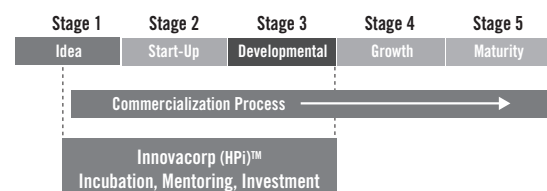
The High Performance Incubation (HPI)<sup>TM</sup> business model represents Innovacorp's core business offering. Recognized internationally as a best-practice approach to technology commercialization, the model comprises three interwoven resources—incubation infrastructure, business mentoring, and seed/venture 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.

At the end of 2010–2011, Innovacorp's incubation facilities stood at 81 per cent occupancy. Tenants typically "graduate" from the incubation facility as they progress through the later stages of the business development cycle. In 2011–2012, Innovacorp will strive to maintain occupancy of its incubation facilities at approximately 85 per cent, enabling the corporation to offer incubation services to new clients and allowing for the tactical expansion of existing clients.

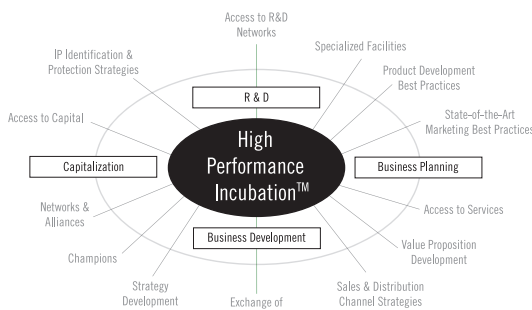
Innovacorp will pursue new recruitment, partnership, and other opportunities that the proximity and world-class infrastructure of the new Innovacorp Enterprise Centre on the Dalhousie campus will present.

In 2006–2007, Innovacorp completed Phase 1 of the Woodside Knowledge Park by accommodating the Ocean Nutrition Canada micro-encapsulation facility. During 2010–2011, Innovacorp concluded cost-sharing agreements with the Government of Canada, HRM, and Halifax Water Commission, and construction of the Highway 111 Mount Hope connector road began. In 2011–2012, road construction will be complete. With this important piece of infrastructure in place, Innovacorp will develop an implementation plan for the next phase of the Knowledge Park.



## 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.

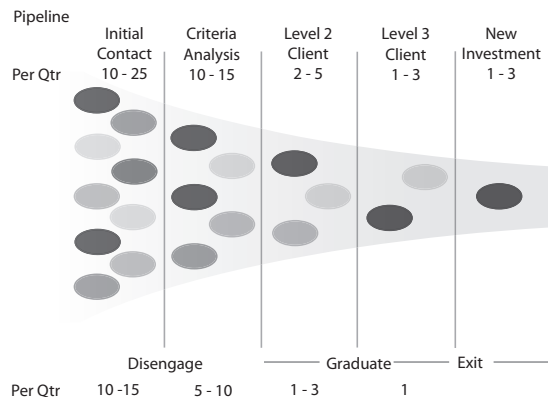


Innovacorp uses a tailored approach to assisting entrepreneurs, meeting the unique requirements of each client during each stage of the business growth cycle. Our comprehensive suite of services includes fundamental business planning, intellectual property identification and protection strategies, access 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 2010–2011, Innovacorp provided advisory services and relationship management support to more than 185 Nova Scotia early stage companies, and reviewed and advised 68 university research-level projects.

The illustration below depicts Innovacorp's typical client pipeline flow. During 2010–2011, 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 2011–2012 Innovacorp will continue to strengthen its go-to-market expertise in key sectors, including information technology, life sciences, and clean technology.

Innovacorp will work to build international capacity in client companies, increase international activity, and strengthen access to international markets and networks.



Innovacorp will continue to leverage our 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 and Tourism, 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. 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:**

- Promote and accelerate technology-transfer activities in Nova Scotia's post-secondary academic institutions.

- Provide the opportunity to assess the commercial potential of intellectual property.
- 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 the fall 2010 round of ESCF, Innovacorp, in partnership with the Medical Technologies Development Initiative (MTDI) of the Capital District Health Authority and the Atlantic Canada Opportunities Agency, offered additional funding specifically for the commercialization support of medical technologies. Medical technologies include medical devices, imaging, and diagnostics but exclude e-health innovations and 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



in our direct engagement in the classroom setting. We will 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 to information and communications technologies and to industrial and energy innovations.

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 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.

In 2010–2011, Innovacorp worked to categorize and provide relevant support via its HPI business model to the highest potential I-3 submissions from the recent competition, 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 Atlantic 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.

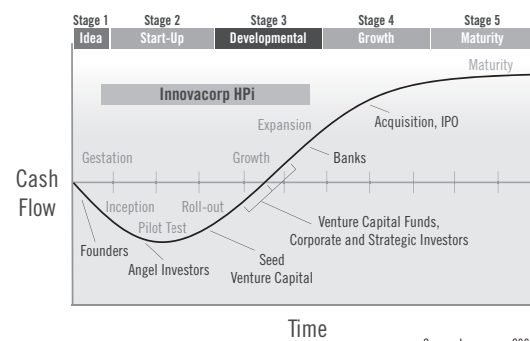
The organization is also a selection committee member for the Innovation and Commercialization of New Opportunities for Agri-Based Products, an initiative created by the Nova Scotia Department of Agriculture.

In 2011–2012, Innovacorp will continue to provide Scientific Research and Experimental Development (SR&ED) technical assistance in partnership with expert third-party financial advisors to ensure 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 \$106 million in risk and venture capital. Since its

## ACCESS to CAPITAL



recapitalization in 2003–2004, the fund has leveraged \$35.1 million of investment (\$13.7 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.

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 \$24 million in venture capital financing in 2006. While the amount raised by Nova Scotia companies leveled off in 2007 to \$18 million and in 2008 to \$17 million, the amount increased to close to \$25 million in 2009. Unfortunately, the amount of venture capital invested in Nova Scotia companies has significantly decreased to only \$10 million in 2010.<sup>1</sup> It is clear that Atlantic Canada-based venture-grade companies continue to be undercapitalized compared to competing US-based and Canadian companies.

<sup>1</sup> Source: Thomson Financial, 2011



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 will help create the necessary conditions for efficient private-sector risk-capital markets in Nova Scotia and Atlantic Canada.

## Priorities for 2011–2012

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, in 2011–2012 Innovacorp will increase its overall capacity and quality of services to create, develop, and grow globally competitive knowledge-based companies through five priorities:

1. Access to High Quality Support: Ensure Quality-Focused Client Pipeline Management
2. Access to Capital: Maximize the Impact of the Nova Scotia First Fund
3. Access to Infrastructure: Maximize the Impact of the Innovacorp Enterprise Centre
4. Access to Talent: Ensure Globally Competitive Skills, Knowledge and Expertise
5. Research Commercialization: Maximize Commercialization Potential of Applied Research in Nova Scotia's Post-Secondary Institutions

### ***Ensure Quality-Focused Client Pipeline Management***

**Current State:** The Innovacorp HPi™ business model continues to be recognized internationally as a best-practice technology commercialization approach. Innovacorp's brand reputation with key stakeholders is positive. Innovacorp's proactive pipeline-building activities, including the 2011–2012 I-3 Technology Start-Up Competition, will attract a significant number of prospective clients. Given the organization's current level of human resources, it continues to be difficult 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.

**In 2011–2012, Innovacorp will**

1. launch and successfully run the third provincial I-3 competition.
2. operationalize and improve the “Top 25 Clients” plans that were developed in the previous year. Track milestone completion and quality level, senior management engagement, and decision making governance.
3. effectively leverage the Client Relationship Management system as a way of mitigating human resource constraints.
4. appoint a new vice president of High Performance Incubation.
5. implement Innovacorp mandate-relevant portions of the province’s *jobHere* strategy, including the new international commerce strategy.
6. ensure optimum incubation facility occupancy levels and secure an anchor tenant for the Innovacorp Enterprise Centre.
7. maximize the positive impact of the Innovacorp Enterprise Centre opening.
8. develop an implementation plan for the next phase of the Knowledge Park.

**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 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.

***Maximize the Impact of the Nova Scotia First Fund***

**Current State:** According to the 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 market with respect to venture capital in Nova Scotia and the rest of Atlantic Canada creates a situation where the risk profile of even the highest-potential 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 has been and is expected to continue to be difficult, as



will be 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. Also 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.

As set out in its *jobsHere* economic growth plan, in 2010–2011 the Province of Nova Scotia reached out to the other Atlantic Canada Provinces to explore the possibility of working together to create a for-return regional venture capital fund. In November 2010, the province announced it would seed such a fund using a portion of the \$30 million commitment it made in 2009–2010 in the Innovacorp-managed Nova Scotia First Fund. Over the last 12 months, Innovacorp has been instrumental in mobilizing the resources, capital, and private sector support to deliver on this strategic priority.

Also in the *jobsHere* strategy, the province committed to establishing a clean technology fund, a fund dedicated to growing clean technology companies by helping them

secure early-stage financing and improving their ability to leverage other financing and take advantage of increasing demand for clean technologies. Innovacorp will manage this new fund.

#### **In 2011–2012, Innovacorp will**

1. co-develop, with other fund limited partners, the investment thesis for a regional venture capital fund based in Atlantic Canada.
2. structure and operationalize the regional venture capital fund, with the objective of doing a first closing of \$25 million or more in committed capital.
3. structure and manage a clean-technology venture capital fund.
4. continue to invest in early-stage companies as part of Innovacorp's High Performance Incubation business model.

**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 access to capital for entrepreneurs in Nova Scotia's knowledge-based sectors. The NSFF is engaged with partner funds to increase the venture capital pool necessary to build and monetize competitively capitalized venture-grade opportunities in Nova Scotia and beyond.

### ***Maximize the Impact of the Innovacorp Enterprise Centre***

**Current State:** In April 2011, Innovacorp will be relocating the existing BioScience Enterprise Centre staff and clients to the newly constructed Innovacorp Enterprise Centre on the Dalhousie campus. Funding to support the operational lease costs was secured for a 20-year period from the province through an order-in-council.

#### **In 2011–2012, Innovacorp will**

1. over the next three years, secure funding from partner organizations to cover the additional fit-up costs for the remainder of the facility.
2. continue to aggressively implement the existing client/tenant recruitment marketing plan that will be used to ensure an optimal client mix and occupancy level.
3. collaborate with other partner organizations to identify, recruit, and secure specific R&D-oriented companies from key sectors.
4. collaborate with other partner organizations to identify, recruit, and secure an anchor tenant in 2011–2012.
5. maximize the building's location to increase synergies with Dalhousie and Capital District Health Authority.

**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.

### ***Ensure Globally Competitive Skills, Knowledge, and 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 business-building skills available for early-stage knowledge-based companies. The majority of these companies possess relevant technical expertise, and most have 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.

Innovacorp requires globally competitive business-building expertise and is dealing with a change of key personnel. Innovacorp needs to ensure that the right people, with the right skills and experience, are hired at the right time. The required expertise ranges from seasoned executive management, to investment experience and deal flow, and to business advisory support.

The *jobsHere* strategy to grow the economy includes objectives to create more opportunities for people to learn valued skills and improve productivity. Nova Scotia's new Productivity Investment Program will support those objectives by providing incentives



for businesses to become more productive, innovative, and globally competitive through supporting investments in employee skills as well as capital investments. Innovacorp's clients can benefit from such initiatives.

**In 2010–2011, Innovacorp will**

1. position itself as a willing broker and matchmaker for business building talent.
2. develop and execute a talent-building initiative to increase experience and knowledge in the start-up community.
3. strengthen and leverage educational strategic partnerships that can address gaps in required skills and knowledge.
4. prioritize skills-gap requirements needs for clients and Innovacorp and assist with the acquisition of talent.
5. refresh the succession plan for Innovacorp's senior management team and identified key personnel.

**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. Innovacorp ensures a stable internal environment, with an evolving team that can keep pace with the evolving needs of Nova Scotia early-stage technology companies.

***Maximize Commercialization Potential of Applied Research in Nova Scotia's Post-Secondary Institutions***

**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 at 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 continue to be relatively low. Innovacorp has systematically intensified its engagement with post-secondary institutions over the past five years and is now supporting and tracking 68 active projects with high commercialization potential.

**In 2011–2012, Innovacorp will**

1. continue to refine the Early Stage Commercialization Fund (ESCF), including pursuing the 2010–2011 highly successful program to attract hospital-based medical applied research.
2. secure guest speaker opportunities to educate students about the innovative knowledge-based companies and support infrastructure in Nova Scotia.
3. increase collaboration with universities to deliver and strengthen the entrepreneurial curriculum.



4. leverage the database of research projects in post-secondary institutions and reach out to those involved in highly commercializable projects.
5. leverage the database of research projects in post-secondary institutions to assist them in building links with the private sector.
6. collaborate with co-op program managers to place students in client company environments.
7. leverage the relationship with Dalhousie to help implement elements of the *jobsHere* strategy.

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



# 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 2010–11 (\$)	Forecast 2010–11 (\$)	Estimate 2011–12 (\$)
<b>Revenues</b>			
Provincial funding	4,592,000	4,592,000	6,557,000
NS funding recognized re capital assets acquired	125,000	46,000	152,000
Incubation	1,522,000	1,522,000	1,622,000
Mentoring	175,000	175,000	125,000
Investment	12,000	44,000	42,000
	<b>6,426,000</b>	<b>6,379,000</b>	<b>8,498,000</b>
<b>Expenses</b>			
Incubation	1,572,000	1,617,000	3,273,000
Mentoring	1,383,000	900,000	1,379,000
Investment	506,000	623,500	1,010,000
Corporate services	2,015,000	2,015,000	1,868,000
	<b>5,476,000</b>	<b>5,155,500</b>	<b>7,530,000</b>
<b>EBITDA</b>			
Provincial funding	4,592,000	4,592,000	6,557,000
NS funding recognized (deferred) re: capital assets acquired	125,000	46,000	152,000
Incubation	(50,000)	(95,000)	(1,651,000)
Mentoring	(1,208,000)	(725,000)	(1,254,000)
Investment	(506,000)	(579,500)	(968,000)
Corporate services	(2,015,000)	(2,015,000)	(1,868,000)
	<b>950,000</b>	<b>1,223,500</b>	<b>968,000</b>



	<b>Estimate 2010–11 (\$)</b>	<b>Forecast 2010–11 (\$)</b>	<b>Estimate 2011–12 (\$)</b>
<b>Non-operating items</b>			
NSFF total return	(128,000)	(208,000)	(194,000)
Post-retirement benefits and long service award	(235,000)	(215,000)	(212,000)
Amortization	(479,000)	(485,000)	(442,000)
NS funding deferred re capital assets acquired	—	—	(300,000)
Interest income (expense), dividends and capital gains (losses)	(383,000)	(590,000)	(39,000)
	<b>(1,225,000)</b>	<b>(1,498,000)</b>	<b>(1,109,000)</b>
<b>Surplus (Deficit)</b>	<b>(275,000)</b>	<b>(274,500)</b>	<b>(141,000)</b>



## Outcomes and Performance Measures

This section outlines the performance measures Innovacorp will track in 2011–2012. 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 Priorities for 2011–2012.

Measure	Base Year 2005–06	Actual 2006–07	Actual 2007–08	Actual 2008–09	Actual 2009–10	Estimate 2010–11	Target 2011–12
<b>Economic Impact Metrics (M = million)</b>							
<i>Revenue generated by client companies:</i>							
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 M	\$174 M	\$225 M	\$278 M	\$279 M	\$280 M	310 M
<i>Employment generated by client companies:</i>							
This measure tracks the annual employment generated by current and graduate client companies.	860	1183	1500	1447	1467	1455	1611
Total employment payroll of current and graduate client companies	\$40 M	\$52 M	\$62 M	\$62 M	\$64 M	\$64 M	\$72 M
<i>Amount of Nova Scotia First Fund (NSFF) leveraged investments:</i>							
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 M	\$93.0 M	\$96.3 M	\$101.3 M	\$105 M	\$106 M	\$110 M
<b>Client Satisfaction Metrics</b>							
<i>Percentage of clients satisfied with Innovacorp services overall:</i>							
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%	96%	84%	90%

Measure	Base Year 2005-06	Actual 2006-07	Actual 2007-08	Actual 2008-09	Actual 2009-10	Estimate 2010-11	Target 2011-12
<i>Percentage of clients that would recommend Innovacorp to a business colleague:</i>							
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%	89%	97%	90%
<b>Leading Indicator Metrics</b>							
<i>Number of early-stage Nova Scotia-based companies Innovacorp engaged during the fiscal year.</i>	85	106	158	198	184	185	190
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		133		120
<i>Number of new clients</i>	12	15	11	9	11	8	10
<i>Number of active HPI™ clients</i>	30	38	43	45	48	51	55
<i>Incubation occupancy levels</i>	85%	91%	87%	90%	88%	81%	85%
<i>Number of clients exporting products/services internationally</i>	42	47	46	51	51	47	51

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





# **Crown Corporation**

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

### FOR THE FISCAL YEAR 2011–2012

## Nova Scotia Business Incorporated

### ***Business Plan 2011–2012***

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# Message from the Minister, Chair, and President & CEO

In late 2010, the Nova Scotia government released *jobsHere*, the plan to grow our economy. The strategy has three interrelated priorities: learning the right skills for good jobs, growing the economy through innovation, and helping businesses be more competitive globally. *jobsHere* sets the course for all elements of the economy working hard to make a better life for Nova Scotians.

We know the economy has gone global. Competition has intensified, technology has taken off, and Nova Scotia has to do more not only to keep up, but to pull ahead. In order to maintain and further strengthen our position in the global market, we need to continue to lead with focused and aggressive business development.

In 2011–2012, NSBI will work with partners to deliver

- business finance
- venture capital
- increased international trade
- foreign direct investment

The 2011–2012 business plan focuses on the following priorities: sector development, portfolio management, market intelligence, and international commerce.

With foreign direct investment, NSBI's strategy is to attract anchor companies that allow Nova Scotia to build clusters, grow capacity, and create opportunities.

Talent drives economies. In addition to NSBI's goal of creating high-value jobs, the organization remains committed to working with our partners to develop the province's workforce. NSBI will remain active in the development and implementation of the province's workforce strategy and will continue its role in connecting Nova Scotians to high-value employers in the province.

A new international commerce strategy as part of *jobsHere* will help Nova Scotia companies build international capacity and strengthen the province's access to global markets and networks. NSBI will play a key role in delivering on this strategy. By growing our domestic supplier base, we can facilitate partnerships with our anchor companies and leverage these strengths to attract more investment.

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,

Percy Paris  
Minister of Economic and Rural Development and Tourism

Jim Eisenhauer  
Chair of the Board, Nova Scotia Business Inc.

Stephen Lund  
President & CEO, Nova Scotia Business Inc.



## 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 to meet their growth potential through international business development, financing, and venture capital.

NSBI's vision is:

***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

NSBI's vision is aligned with *jobsHere*, the province's plan to grow the economy, and its business development operations are key to helping deliver results under the plan. The strategy is made up of three interrelated priorities:

1. Learning the right skills for good jobs
2. Growing the economy through innovation
3. Helping businesses be more competitive globally

## Corporate Mandate

NSBI works in conjunction with partners to promote business and economic development in the province through

- supporting business development, retention, and expansion
- attracting foreign direct investment
- helping companies engage internationally

NSBI was created in 2001 to be Nova Scotia's business development agency, guided by a private-sector board of directors, to take a fresh approach to improving the economic opportunities available to all Nova Scotians. NSBI works to strengthen businesses, attract investment, and help them grow in Nova Scotia. Recognizing the state of the global economy and the province's fiscal challenges, NSBI believes its board of directors provides an effective decision-making and adjudication model.

In 2007, NSBI introduced its second five-year plan, outlining how the organization would continue to work with businesses and partners to provide business advice, business financing, and venture capital and identify new opportunities through



trade development, and investment attraction. NSBI will continue to work with the Department of Economic and Rural Development and Tourism (ERDT) and other economic development organizations to provide programs and services that support businesses across the province. In doing this, NSBI is committed to

- helping regions to attract the right type of investments
- creating employment for Nova Scotia's highly skilled workforce
- assisting Nova Scotian businesses in becoming more productive and competitive

NSBI's key accountability metric has evolved. The original focus was on the creation and maintenance of jobs; as was outlined in its second five-year plan, NSBI is now focused on the total payroll created and retained by clients. As NSBI delivers results against its five-year plan, the agency continues to work with local and international companies to ensure they are innovative, productive, and competitive, resulting in higher-value jobs. All of these efforts combine to generate higher payroll tax revenues for the province, which leads to long-term, sustainable economic prosperity.

NSBI's business development results through home-grown successes, and companies attracted to Nova Scotia are providing the high-paying, world-class career opportunities envisioned in the province's *jobsHere* plan.

## Planning Context

### **Government**

Nova Scotia has been affected by the recent recession, the strongest worldwide downturn since the Great Depression. As part of the business cycle, that is considered a short-term effect, but there also have been long-term trends affecting Nova Scotia. Globalization and the rate of technological change have had an impact on every aspect of life in Nova Scotia. The world around us has been changing at a faster pace than we have. Nova Scotia's economic growth has been the lowest of any province in Canada over the last 20 years. GDP growth has dropped consistently in the past three decades, shifting from 2.9 per cent in the 1980s to 1.7 per cent in the 2000s. Nova Scotia's labour productivity was third lowest in Canada in 2008. As well, the province is entering a period when demographic changes mean the population of work-force age will start to shrink. While there has been successful work completed in the past, there is recognition that it is time to do things differently.

In November 2010, the Nova Scotia government released *jobsHere*, the plan to grow our economy. The strategy has three interrelated priorities: learning the right skills for good jobs, growing the economy through innovation, and helping businesses be more competitive globally.

Through the *jobsHere* plan, strategies have been and are being implemented that will improve innovation across all sectors and focus on strategic investments in innovation and productivity, increasing our competitiveness and creating higher-value jobs. By aligning investment, trade, and innovation priorities and focusing resources on key sectors, there will be more opportunities for economic growth. *jobsHere* outlines specific activities that will assist in developing a highly trained workforce and creating jobs and a secure future for Nova Scotians. *jobsHere* is a clear commitment from the Nova Scotia government to doing things differently in order to make life better for Nova Scotians. The plan supports all areas of the province and all sectors of the economy, meaning we all have a part to play.

On January 11, 2011, a new, merged Department of Economic and Rural Development and Tourism (ERDT) was officially created to better support the *jobsHere* plan. NSBI's six business advisory field staff will be transferred to this department. Also, the trade policy group has been moved to ERDT. ERDT will now also be responsible for all affairs and matters pertaining to the trade activity that had formerly been assigned to the departments of Intergovernmental Affairs, Energy, Environment, Fisheries and Aquaculture, and Agriculture.

### ***Nova Scotia Business Opportunities***

- International trade and investment contributes significant value to the Nova Scotia economy in terms of jobs, revenues, and innovation. Existing data show that the value of international exports and imports represent about 54 per cent of Nova Scotia's gross domestic product (GDP). In 2008, about 850 Nova Scotia companies produced export goods valued at \$6.6 billion.
- Foreign direct investment (FDI) contributes significantly to the economy on an annual basis. International subsidiaries create higher-value jobs with above-average salaries. For example, in 2009–10 the average salary of the seven FDI payroll rebate transactions was \$57,743.
- Currently, Nova Scotia's international commerce activities take place mainly within North America. Though Europe's inward trade role (imports and investment) is growing rapidly, Nova Scotia's outward trade activities with Europe have been declining, and Nova Scotia's international commerce activity in Asia is minor, despite rapid growth in Asian countries.
- Free trade and globalization have created significant changes in the way global markets work, forcing Nova Scotian companies to adapt to the ever-increasing pace, scale, and complexity of globalization.



Reductions in communications and transportation costs and emergence of new technologies have enabled firms of all sizes to market products and services internationally. This has increased the scope and scale of competition. Adjusting to this new international marketplace requires that firms change the way they organize and operate.

- Global value chains (GVC) provide exciting opportunities for companies to grow internationally. Whether selling components or services into a GVC, establishing international operations, or meeting international supply chain standards, the value chain model is one with which all companies must become familiar in order to thrive internationally.
- By collectively focusing on high-value, high-growth sectors, NSBI can identify FDI and sectoral synergies that create new investment and trade opportunities, particularly in GVC and supplier development.
- There exists a lack of equity capital for small and medium-sized business in Canada, even more so in the Atlantic provinces. Through venture capital investment, government can offer companies, through its agencies, another financing option that is critical to an innovation agenda and provides an opportunity to leverage private-sector investment.

- A higher Canadian dollar allows more Nova Scotian companies to source technology at a reasonable cost.

### ***Nova Scotia Business Challenges***

- Nova Scotia companies and the province, as an investment jurisdiction, are experiencing increased FDI competition.
- Driven by labour rates and exchange rates, Nova Scotia faces continued competition from Southeast Asia, India, and Latin America when it comes to maintaining existing companies or attracting replacement companies.
- Only one in 34 Nova Scotia companies exports, compared to the Canadian average of one in 23 companies.
- Although the higher value of the Canadian dollar creates opportunities for Canadian-based operations to make foreign acquisitions or reduce costs on internationally sourced inputs, an increase in the value of the Canadian dollar increases the cost of doing business in Nova Scotia, which leads to a decline in competitiveness for foreign direct investment. International investment remained flat well into Q4 of 2010, confirming the end of two years of steep declines in 2008 and 2009, but also signalling that global investment is in a holding pattern.

- With more than 10,000 investment-development agencies and jurisdictions competing for fewer than 14,000 greenfield projects worldwide, international competition for FDI is growing. Year over year, FDI in Canada dropped approximately 39 per cent due to reduced international investment emanating from the U.S. In addition, emerging markets such as Brazil, Russia, India, China, and Southeast Asia now attract a higher percentage of global investment dollars.
- Between 2005 and 2009, \$21 per capita were invested in Nova Scotia companies from the venture capital community, compared to a national average of \$48 per capita. Nova Scotia ranks eighth among all provinces in private-sector research and development investment (measured as a percentage of GDP).
- Many companies are experiencing shortages in key skills across a variety of sectors. These shortages range from traditional trades to information technology (IT). Companies can have difficulties recruiting specific technology-related skill sets due to declining enrolment in key subjects such as IT. In addition, companies competing globally, or planning to, require high-skilled individuals to lead them through the challenges of international commerce.

### ***State of the Economy***

NSBI considered the following key economic risk factors during the development of its 2011–2012 business plan:

- The consensus of Canada's big five banks forecast Nova Scotia's 2010 GDP growth at 2.1 per cent, while the forecast national GDP growth was 3.0 per cent. The economic view for Nova Scotia is less optimistic in 2011, with forecast GDP growth at 1.7 per cent, while Canada is expected to grow by 2.5 per cent. This decrease is due to fading fiscal stimulus and government restraint in the province.
- The Canadian economy is expected to experience real GDP growth of 2.5 per cent in 2011. There are a few predominant factors shaping the regional forecast, including looming fiscal restraint by the provinces, firm commodity prices, and a strong Canadian dollar. All of these factors appear to favour growth in Western Canada over Central and Atlantic Canada.
- The coming year will see stimulus spending reined in across most of the country as capital spending programs, which were ramped up during the recession, begin to wind down.
- Nova Scotia had strong 2010 performance in the financial services and IT sectors, with employment gains of 1,050 and 1,250 jobs respectively.



- Based on seasonally-adjusted employment figures, total employment in Nova Scotia increased from 447,900 in January 2010 to 453,800 in January 2011. The 5,900 increase consisted of a gain of 6,500 full-time and a loss of 600 part-time jobs.

### ***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 only 15.2 per cent of the population.

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

Nova Scotia has achieved modest population gains from 2000 to 2009. In the future, repatriation, international immigration, or interprovincial migration will have to be the main driver of any population growth. Halifax has been the chosen destination for immigrants within Nova Scotia, with its population growing at an average annual rate of 1.5 per cent over the decade, accounting for more than

three-quarters of total population growth, well ahead of the provincial average of 0.5 per cent.

### ***The Green Economy***

- As countries around the world, including Canada and the U.S., seek to decrease their reliance on hydrocarbons, emerging cleantech and green technologies are generating more attention.
- 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.
- As Canadian and international jurisdictions continue to adopt increasingly stringent environmental standards, Nova Scotian companies need to further look at environmental compliance as an opportunity for competitiveness and innovation as well as long-term sustainability.

## **Strategic Goals**

Beginning in 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 the agency approaches the end of year four of the five-year plan, NSBI forecasts to have helped create and maintain over \$550 million in payroll.

All strategic goals outlined in the 2011–2012 business plan reflect these targets and build upon the results generated by the agency and its clients to date.

### ***Continue to Increase Payroll through Higher Value Jobs***

A key strategic goal for the agency has always been to work with clients to increase overall payroll. In doing so, NSBI will continue to work with its existing and prospective clients to create and retain higher-value jobs in Nova Scotia. Higher-value jobs should be knowledge intensive, with high skill levels and an above-average salary.

This definition reflects existing jobs in NSBI's key growth sectors, as well as in resource-based companies applying new technologies to become more competitive and innovative.

### ***Increase International Economic Activity in Nova Scotia***

The second key strategic goal of the agency is to increase international economic activity in Nova Scotia. NSBI will remain focused on

- helping a range of companies identify opportunities and succeed in global markets

- implementing strategies that attract high-quality FDI, business investment, innovation, and skills to Nova Scotia
- helping a range of companies undertake international investments and partnerships that drive growth at home.

To make this happen, NSBI will, for example, support increased exports and foreign direct investment, global value chain participation, and international sourcing. This will be done by leveraging international connections and existing trade and investment relationships to better identify, understand, and exploit international opportunities in key sectors.

### ***Maximize Return on Investment***

The final key strategic goal of the agency is to maximize the return on investment.

The agency will continue to work toward generating incremental net economic benefit in Nova Scotia through jobs and spinoff benefits and by generating a positive return on investment for the Government of Nova Scotia.

The agency will also remain focused on mining opportunities with the highest potential to generate returns and to allocate its resources to achieve efficiencies.



## Core Business Areas

NSBI's core focus is to **work directly with businesses and partners to deliver results for the province**. To achieve this, the agency offers customized, client-focused solutions through its core business expertise: trade development, business financing, venture capital, and investment attraction.

NSBI's core business functions can be divided into two areas: domestic business development and international commerce. As the primary delivery agent for the province's International Commerce Strategy, NSBI's trade development and investment attraction teams focus on the international arena—making companies more competitive globally and attracting FDI to the province. Although NSBI's business financing and venture capital teams work with trade clients as well as foreign-owned companies, the primary focus is on providing access to capital to domestic businesses. Business units such as corporate and strategic intelligence (CSI), trade market intelligence (TMI), and marketing and communications provide support functions to both domestic business development and international commerce. These functions also provide direct client support, offering critical intelligence as well as advice on positioning and messaging.

### ***Business Financing***

The NSBI business financing team uses its

knowledge of local industries and financial analysis to provide solutions to Nova Scotia companies focused on competitiveness, productivity, growth, and expansion. Solutions may include customized loans, guarantees, trade-related financing, and rebates to companies in Nova Scotia. NSBI lending, in particular, is designed to supplement the commercial products in the marketplace that might not fully meet the needs of companies. NSBI's business financing experts are also active in the promotion and application assessment of ERDT's Productivity Investment Program (PIP), announced in December 2010. This program is designed to encourage businesses to become more productive, innovative, and globally competitive.

### ***Venture Capital***

As a mid- to late-stage investor with the ability to do follow-on investments, the NSBI venture capital team focuses on equity financing in a variety of sectors and growth opportunities, and partners with national firms. NSBI invests in companies with a solid business case, a sustainable competitive advantage, and well-thought-out exit strategies. NSBI provides capital, strategic direction, and advice to help promising companies achieve their full potential on a national and global scale. Shared risk is highly desirable, as it provides an objective validation of each opportunity. NSBI seeks out private/public syndicate partners from inside and outside the province for potential matching funds/investment. By its nature,



venture capital is of higher risk than term debt; however, venture capital is important in the right set of circumstances to generate sustainable economic growth.

### ***Trade Development***

NSBI's trade development team is focused on helping Nova Scotia companies be more competitive globally. Organized by sector, with geographic sub-specialties, the trade development team works with businesses throughout the province that have an exportable product, service or technology, or a need for sourcing external capital or inputs. The team shares focus equally on (1) taking companies to markets to meet with potential buyers, partners, or suppliers at major trade shows or on trade missions and (2) working with these companies at home to prepare them and their products and services to enter new markets, often for the first time. The team also partners with the federal government (including Atlantic Canada Opportunities Agency, Department of Foreign Affairs and International Trade, Export Development Canada) to facilitate international trade.

Another key activity area for trade development is working with Nova Scotia businesses to track and pursue opportunities with International Financial Institutions (IFIs) such as the World Bank, the Inter-American Development Bank, and the Caribbean Development Bank. NSBI subscribes to procurement databases and facilitates access

to them through its IFI Resource Centre. NSBI is also home to the province's Private Sector Liaison Officer (PSLO) to the World Bank. This position serves as liaison between the private sector in the province and the IFIs, particularly the World Bank.

A new area of focus for the trade development team is supporting the Exportable Government Services initiative. The trade development team will work with government departments and agencies that have products and services of interest to foreign markets, to help them prepare their products for sale and meet potential buyers in these markets.

### ***Investment Attraction***

The NSBI investment attraction team comprises sector-based specialists who attract sustainable, export-oriented, and value added business investment to the province.

In pursuing this goal, NSBI takes an aggressive, targeted, opportunity-driven approach to attract FDI and retain businesses that have a strong fit with Nova Scotia's key assets. In this role, NSBI investment attraction specialists proactively promote the competitive advantages of doing business in Nova Scotia and help Nova Scotia's regions to attract the right type of investments. Its main tool is the payroll rebate program, which is a performance-based incentive offered to eligible companies expanding in, or locating to, Nova Scotia (see Appendix 1).



The investment attraction team works closely with the trade development team to identify and leverage joint opportunities internationally such as conferences and investment forums. The two teams also work together to ensure that export-oriented domestic companies are positioned to partner or supply goods and services to international companies attracted to the province.

-attracting investment to the province

## Priorities for 2011–12

In order for NSBI to more effectively achieve its strategic goals and support the implementation of *jobsHere*, the following key priorities have been identified:

- **Sector Development**—a collaborative and coordinated approach to building and maintaining high-growth sectors
- **Portfolio Management**—proactively working with NSBI's existing clients in Nova Scotia to focus on not only retention but increasing or adding additional investment
- **Market and Competitive Intelligence**—to gather and analyze intelligence to better focus resources and to support strategic planning and informed decision making, and to support companies
- **International Commerce**
  - helping Nova Scotia companies grow through competing inter-provincially or internationally

### **Sector Development**

Sector development in Nova Scotia will continue to be a key priority for NSBI and its partners. 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 leveraged for maximum results. IT continues to underpin success in other sectors, making this sector a universal asset and enabler of growth and productivity.

NSBI will continue to identify, develop, and grow emerging sectors. These sectors include Financial Services, Information Technology, Defence, Security and Aerospace, Cleantech, Advanced Manufacturing, Life Sciences, Contact Centres/BPO, Gaming and Interactive Media, and Oceans.

In addition, NSBI will

- pursue new business investment for the province by proactively promoting the competitive advantages of doing business in Nova Scotia
- build on clusters and core strengths to focus on developing high-potential sectors such as Information Technology, Financial Services, Gaming and Interactive Media and Defence, Security, and Aerospace
- promote international partnerships in science and technology with innovation leaders in key sectors around the world

- support the cleantech sector growth, which has been accelerated by energy security needs, government sustainable procurement policies, and a heightened environmental awareness among businesses.

With this 2011–2012 priority in mind, NSBI, along with companies and partners, expects to

- increase the number of higher-value jobs and overall payroll in Nova Scotia
- better align local and international opportunities with talent, training, and education
- work together with anchor companies and domestic supplier base to attract investment
- enhance sector-based clusters
- increase exposure of local products and services to global markets
- increase innovation, productivity, and competitiveness

### ***Portfolio Management***

NSBI will focus on proactively working with 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 that must be retained. These same clients represent the best opportunities for additional growth.

In summary, NSBI must

- gather and share intelligence for future growth
- proactively work to retain FDI companies with a presence in Nova Scotia and to encourage them to increase their investment here (Head Office Visitation program)
- lever anchor companies and the domestic supplier base to attract investment
- support companies to partner with and leverage the innovation capacity of Nova Scotia-based FDI companies
- refine an account management system that supports companies with high potential to compete internationally, retains existing FDI clients, and promotes additional investment in those companies
- explore ways to help FDI clients to grow by investigating business development opportunities in foreign markets through export activity

Helping FDI companies 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 the province's offerings from competing jurisdictions.

With this 2011–2012 priority in mind, NSBI, along with companies and partners, expects to

- grow and expand investment by private-sector clients



- develop a deeper understanding of potential opportunities, threats, and challenges
- attract like-minded companies by leveraging brand-name companies

### ***Market and Competitive Intelligence***

With increased national and global competition, both NSBI and its clients have to work smarter to remain competitive. With an increased focus on market and sector intelligence, NSBI will

- expand upon centralized in-house market- and competitive-intelligence expertise
- engage in-market consultants
- assist partners in tailoring programs and aligning resources by sharing client requirements and intelligence
- work with ERDT to undertake research to map and analyze sectors that align with Nova Scotia's assets and develop strategies to identify opportunities for added value and new business in key sectoral GVCs
- work in conjunction with Trade Centre Limited (TCL) to identify conferences and/or opportunities associated with our priority sectors
- work with government partners to support the development of better labour market information, especially in high-potential sectors

- support international commerce by providing customized market intelligence for Nova Scotia businesses on products or services in markets of interest and by developing a markets' report initiative to provide intelligence to companies exploring new global markets

With this 2011–2012 priority in mind, NSBI, along with a range of companies and partners, expects to

- increase payroll, exports, and revenue to all regions of the province
- increase market exploration and participation in trade missions
- develop more refined and responsive processes and tools
- help develop stronger, more competitive companies
- retain and grow existing FDI clients

### ***International Commerce***

International commerce contributes significant value to the Nova Scotia economy in terms of jobs, revenues, and innovation. International commerce is fiercely competitive. The shift to a globalized economy has already had a significant impact on companies operating in resource-based sectors and international trade as a whole. FDI is increasingly mobile, and international markets are becoming increasingly open.

NSBI and its partners are committed to helping companies identify opportunities

and succeed in global markets; implementing strategies that attract high quality FDI, business investment, innovation, and skills to Nova Scotia; and facilitating the ability of companies to undertake international investments and partnerships that drive competitiveness and growth at home. The province has the potential to improve its performance across a range of international commerce activities. To help facilitate this, NSBI will

- leverage its international connections and existing trade and investment relationships to better identify, understand, and exploit international opportunities in key sectors
- facilitate introductions and partnerships between foreign-owned and domestic companies
- adopt an integrated approach to trade and investment, ensuring that it aligns with trade policy directives
- work with training and education partners to be responsive to FDI opportunities
- work with provincial and federal partners to provide adequate access to trade-related finance and export insurance
- work with the federal government to encourage strategic, growth-focused international investment by Nova Scotia companies
- work with partners to ensure that Nova Scotia companies have the capacity and certification to partner and supply goods and services to foreign-owned companies in Nova Scotia and abroad
- work collaboratively to enhance the position of the province as an effective global competitor by creating the optimal conditions for investment and an even stronger business case for Nova Scotia
- broaden provincial trade mission objectives to include GVC-related activities such as sourcing inputs and components, investment opportunities, innovation partnerships, and other joint ventures
- promote global sourcing of investment capital and business partners as a growth or succession strategy for Nova Scotian companies

With this 2011–2012 priority in mind, NSBI, along with companies and partners, expects to

- increase the number of Nova Scotia companies engaged in international activity and increase the value of international commerce transactions
- help Nova Scotia companies as they increase market size, become more innovative, and create efficiencies of scale through international commerce
- increase provincial job creation as a result of FDI



- enhance international partnerships leading to cheaper inputs, capital investment, and new technologies for Nova Scotia companies
- increase sales, profits, and employment in Nova Scotia through trade
- connect Nova Scotia companies to prospective buyers in international markets
- **technology, and capital to increase productivity.**
- **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.

### **Overall**

Consistent with NSBI's five-year plan and *jobsHere*, NSBI will continue to support its core focus of working directly with businesses to deliver results for the province. NSBI's five key pillars, as outlined in its 2007–2012 five-year plan, will play important roles in shaping the province's economic growth over the coming years.

- **Regional growth:** Work with all regions, in conjunction with government partners, 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.
- **Competitiveness:** Encourage and help companies to identify how they can make changes to compete globally through innovation, improved skills and knowledge and investments in training,

## Budget Context

By absorbing inflationary pressures and operating with a reduced operating budget, NSBI must continue to find efficiencies so that results are not negatively affected.

	Estimate 2010–11 (\$ 000)	Forecast 2010–11 (\$ 000)	Estimate 2011–12 (\$ 000)
<b>Revenue</b>			
Provincial grants:			
Operating grant (note 1)	10,972	10,972	10,695
Strategic Investment Funds	13,863	8,600	14,947
Loan valuation allowance	2,100	2,100	2,037
Gain on sale of parks	750	591	335
NS Business Fund expenses: loans	6,688	8,492	7,263
NS Business Fund expenses: parks	0	0	127
Miscellaneous revenue (note 2)	1,458	2,453	1,541
	<b>35,831</b>	<b>33,208</b>	<b>36,944</b>
<b>Expenses</b>			
Operating expenses (notes 1 & 2)	12,431	11,765	12,236
Strategic investments	13,863	8,600	14,947
Provision for credit losses	2,100	2,100	2,037
NS Business Fund expenses: loans	5,690	7,391	5,976
NS Business Fund expenses: parks	458	342	669
	<b>34,542</b>	<b>30,197</b>	<b>35,865</b>
<b>Excess of revenue over expenses</b>	<b>1,289</b>	<b>3,011</b>	<b>1,080</b>

Notes:

(1) 2010–11 status quo budget transferred to Department of Economic and Rural Development and Tourism effective April 1, 2011, to fund Business Retention and Expansion program (\$32).

(2) 2010–11 budget has been restated: recoveries now shown as program revenues rather than being netted against operating expenses (\$208).





## 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 2011–2012, 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

Outcome	Measure	Base-year Data 2009–10	Targets 2011–12	Trends	Strategies to Achieve Target
Increasing payroll through higher-paying jobs	Total forecasted new and retained payroll	\$135.4 million	\$130 million	2008–09: \$108 million 2009–10: \$135.4 million 2010–11F: n/a	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)	56.9%	30% or greater	2008–09: 70.1% 2009–10: 56.9% 2010–11F: 40% or greater	Strategic utilization of payroll rebates to establish growth industries

\* Ultimate Target: \$800 million by the end of 2011–12 (five-year target); NSBI is currently projected to be over \$550 million at the end of four years.



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

Outcome	Measure	Base-year Data 2009–10	Targets 2011–12	Trends	Strategies to Achieve Target
Foreign direct investment (FDI) in Nova Scotia	Number of projects committed by Investment Attraction clients located outside of Nova Scotia	7	8	2008–09: 8 2009–10: 7 2010–11F: 6	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	6	4	2008–09: 2 2009–10: 6 2010–11F: 3	Seek new sustainable domestic businesses to expand in Nova Scotia
Economic benefit to Nova Scotia	Average gross salary of new jobs forecasted to be created by Investment Attraction clients	\$44,071	\$45,000	2008–09: \$48,117 2009–10: \$44,071 2010–11F: >\$50,000	Attract and retain sustainable, export-oriented, and value added business investment

**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*

Outcome	Measure	Base-year Data 2009–10	Targets 2011–12	Trends	Strategies to Achieve Target
Volume and diversity of exports	Number of clients introduced to new markets/ further advanced in existing markets	287 clients	250 clients	2008–09: 269 2009–10: 287 2010–11F: 270	Deliver tailored trade development services
Increased export sales	Client-reported actual and forecasted export sales	\$132.9 million	\$140 million	2008–09: \$155.7M 2009–10: \$132.9M 2010–11F: \$150M	Deliver tailored trade development services



### 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*

Outcome	Measure	Base-year Data 2009–10	Targets 2011–12	Trends	Strategies to Achieve Target
Incremental Equity Investment	Number of venture capital projects authorized	4	4	2008–09: 5 2009–10: 4 2010–11F: 4	Deliver tailored equity financing solutions
Incremental value investment projects	Number of Business Financing projects authorized	14*	14 financings	2008–09: 8 2009–10: 14 2010–11F: 15**	Deliver tailored debt financing solutions
Quality Portfolio Management	Impaired Loan Ratio	13.5%	15% or less	2008–09: 13.4% 2009–10: 13.5% 2010–11F: 16%	Portfolio management strategies
Partner for financing solutions	Leverage ratio Partner/ Client: NSBI	1.02: 1	0.5: 1.0	2008–09: 1.33 2009–10: 1.02 2010–11F: 0.5	Maintain co-investment philosophy

Note: 2010-11F under Trends, are forecasts and are subject to change.

\* Included ten loans, one guarantee, and three material amendments to existing clients that have a positive net economic benefit to the province.

\*\* Included 12 loans, one guarantee, and two 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 2011–2012 Business Plan*

	<b>Payroll Rebate</b> Note: payroll rebates primarily used for employment retention are currently under review
Overview	<p>The Payroll Rebate is a discretionary, non-entitlement tool intended to promote targeted creation or retention of employment and payroll generation.</p> <p>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.</p>
Amount	<p>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.</p> <p>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.</p> <p>All other Nova Scotia provincial government assistance with respect to the project must be disclosed and may influence the rebate amount.</p>
Eligibility	<p>The applicant's business must be considered eligible according to NSBI's operating regulations.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>In the case of payroll rebates primarily for employment retention, the company must contribute at least 20% of the total project costs.</p> <p>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.</p> <p>Projects that are considered to be competitively harmful to existing Nova Scotia business will not be considered.</p> <p>The Applicant will collect and remit employee payroll taxes in accordance with the Income Tax Act (Canada).</p>
Application Requirements	<p>Historical and/or 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.</p> <p>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.</p> <p>Project plan, which may include project timelines, budgets, and anticipated impacts of the project on the company's competitiveness.</p>



## Appendix 1 (continued)

### ***Strategic Investment Funds Pursuant to NSBI Regulations, Policies, and Guidelines/Procedures: NSBI 2011–2012 Business Plan***

	<p><b>Payroll Rebate</b></p> <p>Note: payroll rebates primarily used for employment retention are currently under review</p>
Criteria	<p>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.</p> <p>The company must also demonstrate:</p> <ul style="list-style-type: none"> <li>• strong management (corporate and local)</li> <li>• compliance with Environment Act, Occupational Health and Safety and Labour Standards Code (if already established in Nova Scotia)</li> <li>• 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)</li> <li>• an acceptable credit history</li> </ul>
Performance Conditions	<p>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.</p> <p>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.</p> <p>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:</p> <ul style="list-style-type: none"> <li>• 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;</li> <li>• Gross wage or payroll bill (including benefits) and the total number of employees of the company on each anniversary date from the project commencement.</li> <li>• Incremental and/or retained employees province of residence</li> </ul>
Payment Terms	<p>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.</p> <p>In most cases, rebates will be paid annually on each anniversary from the project commencement;</p> <p>Payment term generally average five years.</p>

## Appendix 2

### *Strategic Investment Funds Pursuant to NSBI Regulations, Policies, and Guidelines/Procedures: NSBI 2011–2012 Business Plan*

	Interest Rebate
Overview	<p>The interest rebate is a discretionary tool designed to encourage employment creation and net economic benefit for the province.</p> <p>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.</p> <p>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.</p>
Amount	<p>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.</p>
Eligibility	<p>The applicant's business must be considered eligible according to NSBI's operating regulations.</p> <p>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.</p> <p>Financings are expected to create sustainable long-term new employment. Cyclical peaks in employment will not be considered for assistance.</p> <p>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.</p> <p>All other government assistance must be disclosed and may influence the level of contribution.</p>
Application Requirements	<p>Completed application form including all supporting documentation as requested.</p>



## Appendix 2 (continued)

### ***Strategic Investment Funds Pursuant to NSBI Regulations, Policies, and Guidelines/Procedures: NSBI 2011–2012 Business Plan***

	<b>Interest Rebate</b>
<b>Criteria</b>	The company must have a solid business plan for continued growth and success.
<b>Performance Conditions</b>	<p>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.</p> <p>The applicant must produce an auditor's report certifying that the employment and wage targets have been achieved and containing the following information:</p> <p>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;</p> <p>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.</p>
<b>Payment Terms</b>	<p>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 all terms and conditions of the financial assistance agreement continue to be met during the period.</p> <p>Failure to maintain all terms and conditions of the financial assistance agreement may result in an adjustment to or cancellation of the rebate entitlement.</p>



## Appendix 3

### ***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 \$185 million outstanding to more than 120 companies located throughout the province. For 2011–2012, net new capital needed for NSBI to continue to meet the financing needs of Nova Scotia businesses is estimated to be \$40 million, with repayments of current outstanding investments estimated to be in the \$10–13 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)
- Maximum of 35% of the Nova Scotia Business Fund available for working-capital/equity investments (target of 10% maximum available for working capital and a target of 25% maximum available for equity investments)
- Borrowing rates established based on risk, term, and optionality (e.g., interest capitalization, principal holiday, extended amortization)





# **Crown Corporation**

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

### FOR THE FISCAL YEAR 2011–2012

## Nova Scotia Crop and Livestock Insurance Commission

### ***Business Plan 2011–2012***

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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 2011–12. 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. Avaril Bentley  
Chair

Mr. Bill MacLeod, P.Ag.  
CEO



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## 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.***

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## Link to the Department of Agriculture Mandate

In support of the Department of Agriculture's mandate to support the development of a competitive, sustainable, and profitable agriculture and agri-product industry that contributes to the economic, environmental, and social prosperity of Nova Scotia's rural and urban communities, 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 some of 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 under the AgriInsurance platform. It administers 14 crop insurance plans, a dairy livestock insurance plan, and a poultry insurance plan. The commission also administers a Wildlife Compensation Program under the AgriInsurance platform. 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 the 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 production systems that have not traditionally been covered under crop insurance in Nova Scotia.

The commission plans to continue to improve and 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 modernizing 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. In 2010–11 the commission refocused its internal resources to continue with modernization of its information management capabilities. This work will continue in 2011–12.

## 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 2011–2012

The commission's priority is to increase the insurance coverage it offers to Nova Scotia agricultural producers. Increased participation in AgriInsurance programs allows producers to take an active role in managing risk on their farm businesses. Government cost sharing encourages participation.



The value of coverage is actively managed by increasing the number of clients utilizing AgriInsurance and 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 the following.

### ***Program Expansion/ Enhancements:***

- The commission will continue with promotion of a new Maple insurance plan introduced in 2010–11 to increase uptake of this program.
- The commission will finalize the revision of 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 to recognize gaps in coverage identified by industry.
- 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, research, and development work on a new insurance plan for grapes will begin in 2011–12.
- The commission will continue to actively participate 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 implement 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 for 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 turnover within the staff in the next one to five years. The commission will also continue to review staff training and development needs during the coming year.



## Finance

The commission budget is included in the budget estimates of the Department of Agriculture. The Implementation Agreement under the Growing Forward agreement provides for reimbursement of 60 percent 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 2010-11* (\$ 000)	Forecast 2010-11* (\$ 000)	Budget 2011-12** (\$ 000)
<b>Revenues</b>			
Insurance premiums paid by clients	818	624	818
Insurance premiums contributed by government (federal)	736	517	736
Wildlife compensation payments (federal)	150	120	150
Insurance premiums contributed by government (provincial)	491	345	491
Wildlife compensation payments (provincial)	100	80	100
Interest income	70	78	80
<b>Total revenues</b>	<b>2,365</b>	<b>1,764</b>	<b>2,375</b>
<b>Expenses</b>			
Indemnity claims	1,800	1,510	1,800
Wildlife compensation payments	250	200	250
Reinsurance premiums	0	0	0
Bad debt expense	5	5	5
<b>Total expenses</b>	<b>2,055</b>	<b>1,715</b>	<b>2,055</b>
Net income from insurance activities	310	49	320
<b>Crop and livestock insurance fund balance</b>			
Beginning of year	4,529	4,529	4,578
End of year	4,839	4,578	4,898
<b>Administrative expenses</b>			
Government contributions (Canada)	648	577	610
Government contributions (Nova Scotia)	386	385	406
<b>Total administrative expenses</b>	<b>1,034</b>	<b>962</b>	<b>1,016</b>
<b>Net government expenditure</b>			
Canada (premium + administration)	1,534	1,214	1,496
Nova Scotia (premium + administration)	977	810	997
<b>Total program expenditure</b>	<b>2,511</b>	<b>2,024</b>	<b>2,493</b>

\* per 2010-11 Estimates Book

\*\* per 2011-12 Estimates Book



# Outcome and Performance Measures

## Core Business Area

Outcome	Measure	Base Year Data (2004-05)	Target 2011-12	Ultimate Target 2012-13	Strategies to Achieve Target
Increased income stability of farm businesses	Number of farms using production insurance	600	670	700	Improve program effectiveness and flexibility through introduction of new insurance plans and promotion of insurance plans to attract new clients
	Value of coverage	\$52.5 million	\$132 million	\$135 million	Introduction of Maple insurance, Stone Fruit insurance
	Aggregate coverage level for crop program	80%	85%	87%	Promotion of insurance plans to attract new clients and encourage existing clients to take higher coverage levels
	Number of products available	14	16	17	Results of the introduction of new plans (Maple)
	Value of compensation paid for wildlife damage	N/A	\$250,000	\$260,000	Includes federal and provincial compensation paid to producers for damage from wildlife; continued promotion of this program



# **Crown Corporation**

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

### FOR THE FISCAL YEAR 2011–2012

#### Nova Scotia Farm Loan Board

##### ***Business Plan 2011–2012***

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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 2011–2012. 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 the provision of agricultural financing and of credit 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

***The Nova Scotia Farm Loan Board supports the development of sustainable agriculture and agri-rural business in Nova Scotia through responsible lending.***

## Vision

The Nova Scotia Farm Loan Board is a leader in agricultural lending, creating opportunities in rural Nova Scotia.

## Mandate

The mandate of the Farm Loan Board is to support the agricultural industry through the provision of long-term, fixed-rate lending products to those clients demonstrating sound business fundamentals and commitment to the future growth and sustainability of the industry.

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 board functions as the Timber Loan Board (for loans to forest-product mills) as well as the Nova Scotia Farm Loan Board. 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 the 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 expires April 2012. 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, NS, 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 2012. 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 term 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 expires February 2012. 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, Nova Scotia.

### ***Our History***

Active since 1932, the Nova Scotia Farm Loan Board is an agricultural development agency acting to build greater prosperity. It supports agricultural and rural business development by providing long-term loans at fixed interest rates and 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, 2010), the board's loan portfolio totalled \$179 million in loan principal. Including lease property accounts, total lending to agriculture represents approximately 23 per cent of the debt capital of Nova Scotia farmers. Timber loans provided to forest mills to ensure a sustainable wood supply totalled \$730,000

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, in particular 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.

## Planning Context

### *External Context*

#### **In General**

An environmental scan of the agricultural industry indicates powerful trends that have significant implications for lenders like the Farm Loan Board. Producers identified weather and commodity prices as the main factors contributing to financial risks on their farm operations.

This scan provides insights into the nature of the Farm Loan Board's changing business environment.

The agricultural industry is affected by local weather and other conditions affecting production. It is also affected by conditions in competing regions, which may affect general

price levels for commodities produced as well as 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. The succession of farms and intergenerational transfers is a priority for the industry. 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 intergenerational transfer of family businesses, which must be addressed.

Producers must be constantly aware of environmental concerns and maintain up-to-date skills, procedures, and 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 on commodities closely linked to external markets. Hogs, beef, fur, blueberries, cranberries, and other fruit and vegetables for export are expected to be most strongly affected.

Industry representatives suggest that additional emphasis should be placed on assisting new entrants and counselling services. Many clients have indicated that they would prefer additional flexibility in loan options available from the board, possibly variable rates, and asset-secured operating or working capital loans. There are numerous credit offerings available in the marketplace, and some industry experts argue that the industry is over-leveraged as it stands.

The board will lend to support success in agriculture while continuing to bear in mind the current economic environment.

Through the development of sound lending practices and comprehensive financial analysis and risk assessment tools, the mandate of the Farm Loan Board must be focused on the provision of long-term and term-fixed lending rates in support of higher-risk borrowers demonstrating sound business fundamentals and incremental contribution to the growth of the agricultural industry in Nova Scotia.

### **Interest rates**

Although there has been some upward movement, interest rates have remained low for the entire fiscal year. The Bank of Canada has increased policy overnight rate to 1 per cent from 0.25 per cent during the latter part of 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 also provides three- and five-year terms on loans amortized over a longer term. These 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 may be considered for implementation during 2011–2012, including flexible lending secured by real property. Decisions on loan product changes will follow and flow from the board's mandate review and strategic planning process.

Demand for board loans is expected to remain strong during 2011–2012. Requested capital authority of \$30 million is expected to provide flexibility to respond to lending needs in 2011–2012.

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 credit services, support to new entrants, analyzing 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.

### ***Ongoing Planning Focus***

The board focus is to support 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.

This mandate is to build on the key priorities of the Department of Agriculture as noted in the Farm Loan Board's business plan:

- Support competitiveness and self-sufficiency through stable financing, financing of new initiatives, and financial counselling and advice.
- Expand investment in the agriculture and agri-product industries to capture growth opportunities through board funding of capital to enable growth and marketing and other activities necessary to grow and develop opportunities.
- Increase the value of Nova Scotia's agricultural sector in support of investment, growth, and competitiveness through long-term stable financing.

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 required 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. To ensure industry access to stable, cost-effective, asset-backed developmental credit***

- To 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.
- Provide flexible loan products adapted to the needs of the agricultural industry.

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

- To develop and enhance loan management capability, including risk-rating abilities, corporate loan and collateral information, and annual review and other processes and procedures to improve management information and auditability.

### ***3. To explore Nova Scotia Farm Loan Board's role as a developmental engine in the agricultural industry and to ensure that clients have access to resources in the Nova Scotia Department of Agriculture (support to be focused on sustainable business models and innovative ideas)***

### ***4. To provide support at the development and entry level of farming operations to ensure that the agricultural industry will be maintained and have an opportunity to grow.***

## 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 and administration, efficient and responsible financial management. It also includes 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 high in the early part of 2010–2011, levelling off mid-year and expected to be strong in the spring. Loan requirements are affected by the availability of credit and rates available from commercial lenders.

### ***Core Business Area 2: Programs Administration***

Programs 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. This program will be reviewed in 2011–2012 together with other new farmer initiatives.

## **Priorities for 2011–2012**

### ***Lending***

**Provide up to \$30 million of new loan capital to the agricultural and timber industries in the 2011–2012 fiscal year.**

The focus is on development and long-term stability. During 2010–2011 the board is forecast to advance \$32 million and receive principal repayments of \$24 million.

Statistics Canada reports indicate that total farm debt by Nova Scotian farms grew by approximately 40 per cent between 2004 and 2009. The board provided 22.9 per cent of total agricultural credit to Nova Scotia farms in 2009.

The board will continue to investigate possible new loan products to meet client needs in 2011–2012. (Areas of investigation include a mortgage loan for shorter-term needs and changes to permit quicker response to funding requests on well-secured clients). 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.



### **Confidential Credit 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 circumstance, confidential credit counselling services, and specific loan product offerings.

### **Marketing and Business Development**

Nova Scotia Department of Agriculture marketing and business development teams will continue to support the initiatives of the agricultural industry in developing agri-rural business. In 2011–2012 the team will achieve this by working to drive more alignment of its activities to the business goals for clients of the Nova Scotia Farm Loan Board. This includes, for example, business planning, coaching, mentoring, and training opportunities for clients.

### **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 will manage accounts in such a way that writeoffs and arrears conditions are monitored and minimized in relation to the portfolio size 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, or referral to other relevant services.

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

### **Life Insurance Program**

The Farm Loan Board has offered loan life insurance since 1951. 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 is reviewing 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.

See notes following Operational and Capital Funds statements for information regarding forecasts and estimate requests.

## 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 support 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 2011–2012.

The board has determined that the Public Sector Accounting Board (PSAB) will be the appropriate source of generally accepted accounting principles beginning with the 2012–2013 fiscal year.



# Budget Context

## *Nova Scotia Farm Loan Board Operational Income Statement*

<b>Description</b>	<b>Estimate*</b> <b>2010–11</b> <b>(\$ 000)</b>	<b>Forecast</b> <b>2010–11</b> <b>(\$ 000)</b>	<b>Estimate</b> <b>Request</b> <b>2011–12</b> <b>(\$ 000)</b>
Interest	9,550	9,577	9,655
Life insurance revenue	628	251	628
Fee revenue/recoveries	428	505	428
<b>Total revenue</b>	<b>10,606</b>	<b>10,333</b>	<b>10,711</b>
Interest	9,400	8,916	9,300
Operating expenses	1,495	1,499	1,484
Life insurance costs	291	471	291
Bad debt expense	—	524	—
<b>Total expenses</b>	<b>11,186</b>	<b>11,410</b>	<b>11,075</b>
<b>Net income (loss)</b>	<b>(580)</b>	<b>(1,077)</b>	<b>(364)</b>
Transferred to the province	580	1,077	364
<b>Remaining</b>	<b>0</b>	<b>0</b>	<b>0</b>

\* The 2010–2011 estimate as reported above was finalized subsequent to, and with some differences from, the “Estimate Request 2010–11” presented in the 2010–2011 business plan.

Notes: See year-end financial statements for complete financial information and notes.

Interest expense is established under terms of a memorandum of understanding arranged with the Department of Finance.

See notes accompanying the following two tables.

**Capital Funds**

<b>Description</b>	<b>Estimate 2010-11 (\$ 000)</b>	<b>Forecast 2010-11 (\$ 000)</b>	<b>Estimate Request 2011-12 (\$ 000)</b>
<b>Opening principal</b>	<b>179,642</b>	<b>179,102</b>	<b>173,836</b>
Add loan advances	30,000	32,000	30,000
Less repayments	(21,000)	(24,000)	(21,000)
Less principal written off	(1,600)	(10,266)	(6,000)
<b>Closing principal</b>	<b>187,042</b>	<b>176,836</b>	<b>179,836</b>
<i>Provision for Impaired Accounts</i>			
<b>Opening provision</b>	<b>23,490</b>	<b>24,036</b>	<b>14,294</b>
Less accounts written off	(1,600)	(10,266)	(5,000)
Additions (principal portion of bad debt expense +/- adjustments)	0	524	500
<b>Closing allowance</b>	<b>21,890</b>	<b>14,294</b>	<b>9,794</b>
<b>Net portfolio at year end</b>	<b>165,152</b>	<b>162,542</b>	<b>170,042</b>

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 conform the forecast and estimate

authority to the amount assigned. Authority assigned for insurance, fees, operations, and 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 three years and higher than usual writeoff requests for 2010-2011, and they have resulted in a large group of non-performing loans still on the books, reducing forecast income.

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 2011–2012.

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.

***Budget for Core Business 2: Program Administration:***

Note that the board staff 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

<b>Description</b>	<b>Estimate 2010–11 (\$ 000)</b>	<b>Forecast 2010–11 (\$ 000)</b>	<b>Estimate Request 2011–12 (\$ 000)</b>
New entrants to Agriculture Program—expenditures	600	500	600
New entrants to Agriculture Program—approvals (grants cover interest in the two years following approval)	600	600	600
Total Staff—FTEs	17.3	17.3	17.3

# Outcomes and Performance Measures

## Core Business Area 1 Lending

Outcome	Measure and Rationale	Base Year Data	Targets	Trends	Strategies to Achieve Target
Efficient program delivery	Net income of the board (before government contribution) as a % of the average active loan balance	1998-99: 0.1%	Current Year	2004-05: 0.5%	The strategic plan will identify needs of clients and new lines of business for the board.
			2010-11: -0.3%	2006-07: 0.7%	
			2011-12: -0.7%	2007-08: -4.3%	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.
			(\$1,300,000)	2008-09: -2.5%	
				2010-11: -3.1%	Continue to develop additional loan products to meet client needs, including clients with lower inherent risk and less likelihood of loss.
				Net interest	
				revenue and	
				bad-debt expense	Minimize operating expenses by efficient operating structure, practices, training, and electronic systems.
				from 2008-2010	Income is expected to improve now that the hog industry situation has been fully provided for.
				affected by	The insurance program will be reviewed as part of an effort to make these costs more predictable.
				difficulties in	
				the hog sector	
				as well as life	
				insurance program	
				experience.	



## Core Business Area 1 Lending

Outcome	Measure and Rationale	Base Year Data	Targets	Trends	Strategies to Achieve Target
Successful clients (as indicated by the proportion of accounts in difficulty)	Total arrears as percentage of value of all accounts  (Note this measure is revised effective for 2009-2010 to include arrears on accounts classified as "in-default" and replaces both the previous arrears measure and the previous measure of defaulted accounts)	2006-07: 3.7%	2010-11: 4.5% or less 2011-12: 4.5% or less	2007-08: 3.7% 2010-09: 4.5% 2009-10: 5.0% 2010-11: 6.3% forecast	Monitor account status, contacting clients in arrears and referring them to industry resources where appropriate. Maintain contact and work with client and 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. One staff member has been dedicated to working 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.
Client satisfaction	Combined results for courtesy, promptness, knowledge, and commitment on client survey	2000-01: 92%	2010-2011: 90% or above 2011-2012: 90% or above	2005-06: 94% 2006-07: 89% 2008-09: 94% 2009-10: 96% 2010-11: 93% forecast	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 and Rationale	Base Year Data	Targets	Trends	Strategies to Achieve Target
New entrances facilitated	Number of approved applications	2000-01: 49	2010-2011: 30-50 2011-12: 30-50	2008-09: 22 2009-10: 31 2010-11: 39 forecast	This program will be reviewed in 2011-12 together with other new farmer initiatives.







# **Crown Corporation**

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

### FOR THE FISCAL YEAR 2011–2012

#### Film Nova Scotia ***Business Plan 2011–2012***

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## Mission

***To grow Nova Scotia's audiovisual 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 Film Nova Scotia Act as a provincial Crown corporation. The corporation reports to the Minister of Economic and Rural Development and Tourism.

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.

### ***Legislation and By-laws***

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

### ***Role***

The corporation offers loan and investment programs to support audiovisual production in Nova Scotia and administers the Nova Scotia Film Industry Tax Credit (FITC) 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 audiovisual industry.

The corporation provides equity investment, development, and marketing programs to the local audiovisual industry. These financial programs are designed to support the growth and development of Nova Scotia's audiovisual 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 audiovisual industry, create access to decision makers for local producers, and market the province.

## Planning Context

Nova Scotia has been affected by the recent recession, the strongest worldwide downturn since the Great Depression. As part of the business cycle, that is considered a short-term effect, but there also have been long-term trends affecting Nova Scotia. Globalization and the rate of technological change have had an impact on every aspect of life in Nova Scotia. The world around us has been changing at a faster pace than we have. Nova Scotia's economic growth has been the lowest of any province in Canada over the last 20 years. Our GDP growth has dropped consistently in the past three decades, shifting from 2.9 per cent in the 1980s to 1.7 per cent in the 2000s. Nova Scotia's labour productivity was third lowest in Canada in 2008. As well, we are entering a period when demographic changes mean the population of workforce age will start to shrink. There is recognition that it is time to do things differently.

In November 2010 the Nova Scotia government released *jobsHere*, the plan to grow our economy. The strategy has three interrelated priorities: learning the right skills for good jobs, growing the

economy through innovation, and helping businesses be more competitive globally.

Through the *jobsHere* plan, strategies have been and are being implemented to improve innovation across all sectors and focus on strategic investments in innovation and productivity, increasing our competitiveness and creating higher-value jobs. High-value sectors will be identified, providing Nova Scotia opportunities to connect with partners abroad and also attract new partners to our province. *jobsHere* outlines specific activities that will assist in developing a highly trained workforce and creating secure jobs and a secure future for Nova Scotians. *jobsHere* is a clear commitment from the Nova Scotia government to doing things differently in order to make life better for Nova Scotians. The plan supports all areas of the province and all sectors of the economy, meaning we all have a part to play.

In keeping with *jobsHere*, Film Nova Scotia plays a key role in this plan by supporting economic development within the creative economy through its programs and support for the audiovisual industry.

The existence of a vibrant and successful audiovisual production industry, which historically has provided an economic stimulus to our urban and rural communities, generates an average of over \$100 million in production activity in the province annually. The industry supports the expanding creative economy and provides an attractive career path for our youth, encouraging them to stay

in Nova Scotia. In addition, the audiovisual industry is environmentally friendly and leaves a small footprint on the environment.

The audiovisual industry is a constantly evolving industry through changes in technology, how productions are produced, and the medium on which they are delivered. There are ongoing technological changes in the area of animation and special effects, such as 3-D, and a movement away from the medium of traditional film to digital formats and a myriad of new delivery methods, including web-based delivery and cell phone applications. Film Nova Scotia's role is to keep abreast of these changes and to ensure that our production community stays competitive through a number of partnerships and programs.

The corporation undertakes research initiatives with provincial, federal, and private industry partners into emerging trends and markets. We design pilot programs to encourage the adoption of new technology in storytelling. Training

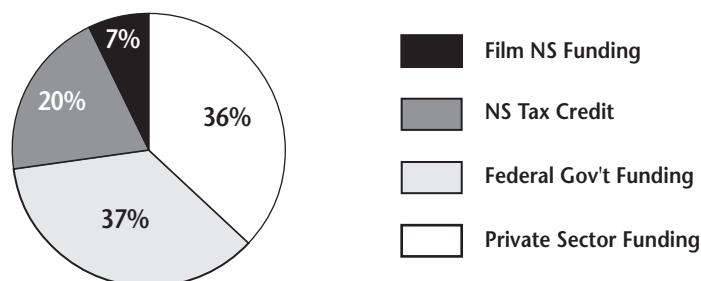
initiatives are used to incorporate new technology into audiovisual production. The corporation develops emerging filmmakers by partnering with broadcasters and federal funding organizations.

The corporation keeps abreast of industry developments by participating in key markets, festivals, and conferences. We provide financial assistance for filmmakers to attend these markets, provide a business centre for them to conduct business, and disseminate information for those unable to attend. In addition, Film Nova Scotia actively participates in all policy discussions regarding program changes at the federal level to the Canada Media Fund and Telefilm Canada that will affect film, television, and new-media production in Nova Scotia.

In Canada, the audiovisual industry accounts for approximately \$5 billion in production volume and creates 117,200 jobs. The industry also exports close to \$2 billion a year. With a 25-year history, the audiovisual industry in Nova Scotia

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### ***Funding Sources 2005–10 Projects Contracted Domestic Production***





is well established. The province is ranked among the largest production centres in the country, with average annual production of over \$100 million and approximately 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 federal film tax credits provides close to \$1 billion in funding throughout the nation, and historically Nova Scotia attracts between 7 per cent and 10 per cent of this amount. The FITC is one of the most competitive in Canada. This labour-based incentive, which ranges from 50 per cent to 65 per cent, on average represents 20 per cent of any given production budget. Therefore, for every dollar invested through the FITC, four additional dollars are invested in the province's productions.

On the heels of a record-breaking year of production, Nova Scotia generated \$97 million in production activity (\$54 million domestic and \$43 million guest) in 2009–2010. This slightly below-average result and the drop from the prior year activity was in part due to a change in the treatment of the FITC, which had a negative impact on the animation subsector of the industry. This sudden change in the FITC made it difficult for animation producers to be competitive with other jurisdictions that were enhancing and adding bonuses to their tax credits targeting this labour-intensive subsector.

As a result, many animators have relocated to those other jurisdictions that were able to secure the work, resulting in animation production declining from approximately 20 per cent of total production to 2 per cent. In December 2010 an enhancement was made to the FITC, which should help turn things around for animation production, although the turnaround in production levels will be gradual because it will take time to repopulate the province with these skilled workers.

Despite these challenges, there were a number of notable achievements in the industry during 2009–2010, including feature films, television series, and documentaries. Chaz Thorne filmed his third feature film, *Whirligig*, in Portuguese Cove, and emerging producer Rohan Fernando completed his first film, *Snow*, in the Halifax Regional Municipality. Two other features, *The Corridor* and *Afghan Luke*, also filmed during this time in Canning and the Halifax Regional Municipality, respectively.

On the television front, Big Motion Pictures filmed the 13-episode series *Call Me Fitz* in the Annapolis Valley. The series features Jason Priestley as Richard "Fitz" Fitzpatrick, a used-car dealer who pushes the boundaries of acceptable behaviour just a few steps too far. Arcadia Entertainment produced the series *TV with TV's Jonathan Torrens*, a comedic news-magazine-style show that dissects the stars, formats, and genres of popular television. In addition, Topsail Productions produced the television pilot *Mr. D*.

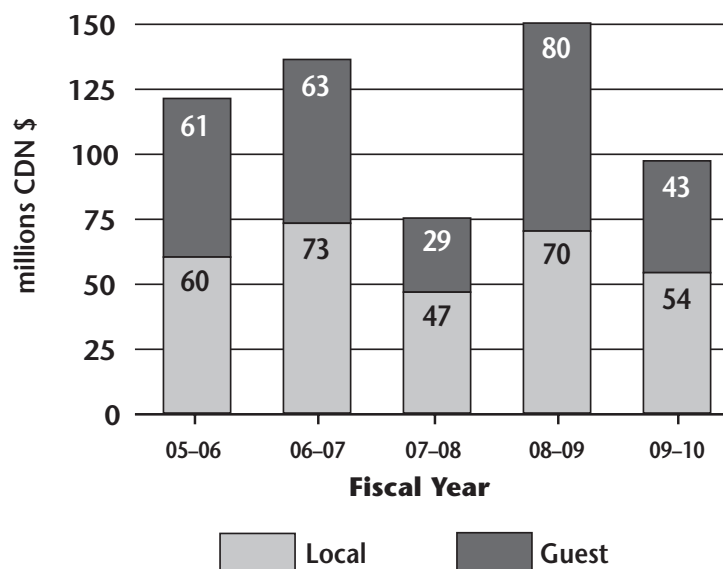
Other productions included a number of documentaries that focused on issues such as wildlife and the environment. This past year also witnessed continued excellence in locally produced children's programs, with Halifax Film, a DHX media company, filming two seasons of their new series, *Pirates*.

2009–2010 was a busy year for guest production in Nova Scotia. Chester-based production company Big Motion Pictures filmed the Canada-Germany co-production *Moby Dick* in Shelburne. This was not the only German production to film in Nova Scotia; *In Boston Love Twice* and *Beloved Family*, two television movies based on the Joanna Trollope book series, filmed with imX communications and Studio Hamburg

in the Chester and Halifax areas. Magic Rock also brought the National Geographic and Nova/PBS television movie *Darwin's Darkest Hour*, based on the life of Charles Darwin, to the Annapolis Valley. Other guest production saw *Innocents Lost*, the seventh instalment of the Jesse Stone series for CBS, the television special *Mysterious Ruins—Cape Breton*, and the television series *Artzooka*.

Many of Film Nova Scotia's initiatives support the current government commitments for 2011–2012 to create the secure, high-value jobs the Nova Scotia economy needs to ensure that more young people stay and build a life here in Nova Scotia.

**Nova Scotia Film Production Activity by Local vs. Guest Producers**





In 2011–2012, Film Nova Scotia will continue to support the creative economy through the development of the audiovisual industry in Nova Scotia as part of the province's economic growth strategy.

The Programs department works closely with producers providing ongoing coaching and support in the areas of development, training, and production financing. With access to funds and professional development opportunities throughout the year, the Programs department works to ensure that the industry is a year-round industry. The department acts as a liaison with stakeholders on current industry issues, such as broadcast rights, and disseminates key information to the local community.

The corporation's financial programs are aimed at local filmmakers and include equity investments, development loans, new-media equity investments, a web drama series program, feature film distribution assistance, the CBC / Film Nova Scotia Bridge Award, First Features Award, sponsorship and training programs, assistance for attendance at markets and festivals, and professional development. The corporation makes its investment decisions with the following outcomes in mind: employing Nova Scotians year round, spending funds in the province, promoting the province internationally with positive spinoffs in other areas such as tourism, allowing Nova Scotians to tell their unique cultural stories, creating a diverse workforce in the industry,

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 audiovisual 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 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 audiovisual production in the province—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 audiovisual industry. In doing so, Film Nova Scotia educates target audiences about the economic benefit that audiovisual 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 corporation administers the province's Film Location Shooting policy for filming on provincially owned property.

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, the 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 FITC is a crucial financing tool used by both local and guest filmmakers. Since its inception in 1995, it has been used to create and develop talent in Nova Scotia, from producers and writers to directors and crew members, and has grown the industry from \$32 million in production activity to current levels, making it a year round industry. Combined with the investment programs and locations services offered by Film Nova Scotia, the FITC helps create a film-friendly environment that supports the future growth of the province's audiovisual industry.



## Strategic Goals

1. Cultivate and grow the global competitiveness of Nova Scotia's audiovisual industry.
2. Provide or support opportunities for the skills development and innovation of Nova Scotia's audiovisual industry.

## Core Business Areas

### ***1. Global Competitiveness of the Audiovisual Industry***

Develop Nova Scotia's audiovisual industry, with priorities including the following:

#### **1.1 Investment Programs**

##### *Equity Investments, Development Loans, & 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 of 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 corporation provides equity investments of up to \$50,000 per web-drama series project to help independent producers/creators to finance the production of original drama series created initially for the web.

The audiovisual industry has identified these investment programs as "very important" for attracting other financing required to complete films.

##### *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 help emerging producers enter 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 CBC. Up to two awards are offered each year.

##### *First Feature Award*

The corporation has developed an exciting new partnership with Telefilm Canada to provide the First Feature Award for emerging film producers. This juried program is designed to assist emerging producers, directors, and writers in entering the feature film industry. Successful applicants will receive \$55,000 from Film Nova Scotia in equity investment and marketing funds and \$55,000 in financial

assistance from Telefilm Canada. One award will be offered in 2011–2012.

#### *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. In 2011, the corporation will review this program to support alternative distribution models.

#### *Market and Festival Assistance*

The corporation provides assistance for local producers to attend high-profile international festivals with the goal of selling completed works, attracting co-production partners or funding for projects in the development stage, accessing industry intelligence, and raising the profile of Nova Scotia production companies.

#### *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.

#### *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.

#### *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. These forums provide access to industry gatekeepers for local producers. Most of these broadcasters and distributors are located in Toronto.

## **1.2 Locations and Marketing Programs**

### *Marketing*

The 2011–2012 Marketing and Communications plan targets production companies and independent producers in Los Angeles, Germany, and the United Kingdom. Film Nova Scotia will undertake a number of initiatives throughout the year that will include business development meetings, participation at film markets and trade shows, advertising, and familiarization tours. In particular, to enhance our market intelligence on convergent platforms, new technologies, and interactivity, Film Nova Scotia will be attending the film and interactive component of the South by Southwest (SXSW) film, music, and interactive conference and festival. The SXSW conference is a leader in technology advancement in the audiovisual industry, with applications such as Twitter originally launching at the conference.



### *Locations Services*

Film Nova Scotia provides complete script breakdown services for feature films, movies of the week, television series, and pilots, using 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. Film Nova Scotia generally acts as the first point of contact for guest productions looking to shoot in Nova Scotia. The corporation services over 70 location inquiries a year and conducts approximately 10 scouts a year, which results in average annual foreign production of \$55 million. The corporation receives inquiries from studios and independent production companies based in key markets, including Los Angeles, New York, Germany, and the United Kingdom. The productions resulting from these inquiries represent a range of formats, including movies of the week, television series, and feature-length films for major networks and broadcasters in the United States and abroad. Based on the quality of our locations, crews, and services, many of our foreign producers return to the province for a repeat filming experience.

### *Community Liaison & 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.

### **1.3 Nova Scotia Film Industry Tax Credit and Digital Media Tax Credit**

Nova Scotia's film industry and digital media tax credits (FITC & DMTC) are among the highest in Canada. This provides Film Nova Scotia with a competitive edge in marketing the province to the international production community, and it helps local producers compete for broadcast licences and distribution deals. The FITC and DMTC are labour-based tax credits of 50–60 per cent of eligible Nova Scotia labour expenditures. A frequent-filming bonus of 5 per cent of eligible labour is also available for qualifying productions of the FITC. These tax credits are key financing tools used by local and guest producers to complete their film and television projects and interactive media projects. Film Nova Scotia markets these tax credits internationally to attract foreign production. Advertising campaigns were launched at major animation, television, and film festivals from January to March 2011, announcing the December enhancements to both credits.

### 1.4 Partnerships

Film Nova Scotia has developed key relationships with public and private partners in order to gain market intelligence and build capacity. It has developed strategies to ensure that the industry in Nova Scotia successfully adapts to the changes in technology in terms of content, production, and delivery mechanisms (e.g., multiplatform Internet delivery).

#### *Strategic Partners*

The corporation partners with the Atlantic Film Festival Association to sponsor Strategic Partners, an international co-production and co-venture market. Strategic Partners allows local industry members to explore international partnership opportunities for television and feature film and interactive projects.

#### *Film Advisory Committee (FAC)*

The corporation is a member of the Nova Scotia Film Advisory Committee, a public-private partnership that includes representatives from HRM, unions and guilds, production companies, industry associations, and suppliers. The FAC works collectively to promote the growth and development of the audiovisual industry in Nova Scotia. Objectives of the FAC are

- to promote the shared interests of those involved in the audiovisual industry in Nova Scotia
- to promote a positive image of the audiovisual 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

#### *Association of Provincial Film Funding Agencies (APFA)*

APFA represents provincial and territorial audiovisual funding agencies from coast to coast. It was formed to bring together the viewpoints of agencies that serve both cultural and industrial audiovisual industries. This covers companies from fledgling to well-established, from small to large, and from diverse geographical regions of the country. Film Nova Scotia is the chair of APFA for 2011 and 2012.

On behalf of APFA, Film Nova Scotia participates in the Canada Media Fund focus group on policy development. The Canada Media Fund is the federal funding body for television and new media. Through our involvement, Film Nova Scotia keeps abreast of changes to the industry and the ways in which we need to adapt.

Also as the chair of APFA, Film Nova Scotia represents provincial and territorial funding agencies in program and policy discussions with Telefilm Canada regarding the Canada Feature Film Fund.



In the absence of a formal terms-of-trade protocol between independent filmmakers and broadcasters, Film Nova Scotia led a team of provincial and private funding agencies in developing a rights-principles set of guidelines to establish reasonable terms for broadcast licence agreements between producers and broadcasters where Film Nova Scotia and other funding agencies participate as equity investors.

*Atlantic Canada Film Partners (ACFP)*

Film Nova Scotia works with the other Atlantic provinces to promote and develop the audiovisual 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. Film Nova Scotia is the chair of ACFP.

*International Business Development Group (IBDG)*

The IBDG is a partnership of federal and provincial government agencies and the Canadian Media Production Association (CMPA) who work together to enhance Canada's reputation and market share in the international audiovisual industry. Our work with IBDG on new market research generates valuable industry intelligence on priority international markets. The group has identified Asia and the United States as priority areas for market research, with a focus on the economic potential for feature film, television, and interactive media and the impact of the technology

and transformative business models in terms of new business opportunities. In 2010 market studies were financed in these markets; the group will incorporate the findings of these studies into our 2011–2012 strategic initiatives.

*Nova Scotia Motion Picture Industry Association (NSMPIA)*

The corporation works with NSMPIA to enhance the competitiveness of Nova Scotia's audiovisual industry by addressing challenges that 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 sound stage in the Halifax Regional Municipality (HRM) to support local production and attract foreign production. Studio facilities in HRM are inadequate to support any critical mass of production. Film Nova Scotia worked with NSMPIA in addressing this infrastructure deficit by issuing a request for proposal to complete a sound-stage feasibility plan.

*Digital Animators of Nova Scotia (DANS)*

The corporation works with DANS to address issues affecting the digital animation subsector of the audiovisual industry in Nova Scotia. DANS played a key role in the lobbying effort to remove the production cost cap for the film industry tax credit in December 2010. Film Nova Scotia promoted the enhanced tax credit to animation productions at the international KidsScreen conference in February 2011



and is sponsoring the Ottawa Animation Festival, later in the year, where the credit will receive much promotion.

*Atlantic Canada Opportunities Agency (ACOA)*

The corporation regularly partners with ACOA on export development and training initiatives through trade missions and business issues seminars. In June 2011, in partnership with ACOA, the corporation will bring 10 emerging filmmakers on a business development trip to Los Angeles. The initiative involves market-preparedness training in advance of the trip, attendance at an industry conference, industry seminars with LA-based studios, agents, and production companies, and one-on-one pitch meetings.

*Independent Production Fund (IPF)*

The corporation partners with the IPF to offer the Web Drama Series program, which helps independent producers and creators to finance the production of original drama series created initially for the web. During the 2010 pilot year, 166 applications were submitted from across Canada. After the screening process, \$1.2 million were invested in 11 online drama series.

The program and Film Nova Scotia supported one Nova Scotia project, *Moderation Town*, produced by Stitch Media, a Halifax-based digital media production company. The series partnered with www.Showcase.ca as a national broadcaster and secured sponsorship from ICUC Moderation

Services. The series was awarded the next Media Digital Launch Pad Award at the 2011 National Association of Television Program Executives Market and Conference in Miami. Based on the success of this project, Film Nova Scotia has renewed its partnership with the IPF.

Programs such as the Web Drama Series reflect the shifts to technology and delivery mechanisms currently taking place within the industry and allow Nova Scotia's producers and personnel to be at the forefront of these changes. The program offers producers and creators an important and unique opportunity to obtain financing for their online productions.

The IPF is a national private fund that provides equity investments to encourage the production of prime-time dramatic series and dramatic children's series produced by independent Canadian producers for private sector broadcasters, in English or French.

*Eastlink Television and Empire Theatres*

The corporation partners with Eastlink Television and Empire Theatres to leverage resources for the industry and build a local audience for Nova Scotia producers and productions. This helps to raise the profile of the industry and in turn makes it easier for filmmakers to raise funds for future projects. Film Nova Scotia is also working with Eastlink to explore other avenues to support television production in Nova Scotia.



### *Halifax Regional Municipality (HRM)*

The corporation partners with HRM on the growth and development of the audiovisual industry within HRM. Collectively, they address the needs of the local industry and combine resources on joint initiatives such as the exploration of a Halifax-based sound stage. Film Nova Scotia also works closely with the HRM film office on production-specific requests. HRM is partnering with Film Nova Scotia on the sound-stage feasibility study.

### **1.5 Infrastructure Development**

The industry has identified a need for a purpose-built sound stage in the Halifax area. Since the closure of Halifax-based Electropolis Studios in January 2009, Dartmouth-based Tour Tech East is the only film production studio in HRM. At 12,000 square feet, it is too small to accommodate large-scale productions. Approximately 30,000 to 40,000 square feet of space is required to support the needs of the industry. The only other major sound stage in the province is located in Shelburne. That facility has not attracted much film production, as its distance from Halifax Regional Municipality is a challenge for most production companies. It has recently filed for bankruptcy protection.

In December 2010, Film Nova Scotia released a request for proposals for consulting services to facilitate and document a feasibility study for a new sound stage facility to be located in Halifax.

## **2. Industry Development**

Optimize resources by partnering with government, private sector, and industry stakeholders to provide skills development opportunities and innovation aimed at advancing producers and personnel in Nova Scotia's audiovisual industry.

### **2.1 Professional Development**

The corporation optimizes financial and human resources by partnering with government and private sector and industry stakeholders to provide professional development opportunities that support the advancement of Nova Scotia's audiovisual industry in global markets. The corporation invests in the continued professional development of Nova Scotia filmmakers through the organizations and programs 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 launching pad for increasingly higher-profile work.

Investment in the Media Arts Scholarship program at the Centre for Art Tapes results in a series of interdisciplinary learning events as well as more traditional opportunities to build skills.



Film Nova Scotia partners with the Nova Scotia College of Art and Design (NSCAD) to support the next generation of content creators. The Film Nova Scotia Bachelor of Fine Arts Film Production Fund provides 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. The Cineflux Projects course is designed for the senior class of the Bachelor of Fine Arts program and will include the production of three multiplatform media art projects.

Film Nova Scotia and the Nova Scotia Community College (NSCC) are developing a partnership to help graduates in the animation and computer graphics programs to introduce calling-card projects. Film Nova Scotia is also working with NSCC and industry to develop new training initiatives to encourage skills development and the adoption of new technologies.

Film Nova Scotia helps Nova Scotia professionals attend 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, the Equinoxe writing program, and the Atlantic Screenwriters Boot Camp.

The corporation, through industry consultation, also identifies gaps in the industry and organizes and hosts business-oriented seminars and events. This entrepreneurship training helps Nova Scotia producers compete in the global film industry. The training provides targeted market initiation for emerging producers, offering an introduction to major industry trends and their impact on television, feature film, and interactive production; a roadmap to the current programming and film distribution marketplace; and a step-by-step approach to working with broadcasters and distributors and developing content that sells. The corporation will continue its focus on the U.S. marketplace by offering the Los Angeles business development trip in 2011. Film Nova Scotia also offers Pitcher Perfect, which provides training to producers on how best to pitch their projects to broadcasters or distributors.

To ensure that the work of emerging producers is seen throughout the province, Film Nova Scotia sponsors the Atlantic Film Festival (AFF) and Eastlink's Atlantic Filmmakers series, a 26-episode television show featuring Atlantic filmmakers and their projects, with a focus on Nova Scotia's audiovisual industry.



Film Nova Scotia also partners with Empire Theatres to offer free screenings of Nova Scotian productions several times a year.

The corporation partners with the Canadian Media Production Association (CMPA), 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 long-term, salaried training opportunities in the audiovisual 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 CMPA 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 for 2011–2012

In light of current global economic conditions, Film Nova Scotia has developed a business plan for 2011–2012 that reflects a reduced budget based on the direction of our shareholder. The plan preserves the corporation's goals of consistently attaining

a high level of local audiovisual 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, attracting more foreign feature films, supporting industry growth with technology advancements, maintaining high levels of skilled workers, and supporting relationships with industry gatekeepers and with the federal government. While a reduced budget affects programs, the choices were carefully examined to have the smallest possible impact on the industry.

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, Berlin Film Festival, American Film Market, and other key television markets will continue to play a major role in marketing Nova Scotia's audiovisual industry. In particular, to enhance our market intelligence on convergent platforms, new technologies, and interactivity, Film Nova Scotia will be attending the film and interactive components of the South by Southwest Film, Music, and Interactive Conference and Festival. The corporation will continue to participate in associations and committees and in conducting research to monitor global trends that could affect the local industry. The corporation will continue to assess all programs and services to ensure that they are responsive to stakeholder and

client requirements as well as to the external environment.

Film Nova Scotia's investment programs are key drivers to production and are strategically planned throughout the year to achieve year-round production. Additionally, the December 2010 enhancement to the FITC makes Nova Scotia more competitive in the animation subsector, where production typically lasts significantly longer than live-action filming, and this too supports the audiovisual industry in being a 12-month industry.

Film Nova Scotia will continue to develop and nurture partnerships with educational institutions in Nova Scotia to encourage the development of new training initiatives, skills development, and the adoption of new technologies. Partnerships with industry leaders will continue to be a priority as well, in order to keep abreast of market trends and to leverage resources for the industry.

As the industry transitions to a multiplatform environment, partnerships with industry experts such as the IPF are increasingly important. As audiences are becoming more fragmented and are seeking content on a variety of platforms, programs such as the Web Drama Series, which create content for the Internet, are key to the advancement of the Nova Scotia industry. The DMTC will become an increasingly important and competitive tool in encouraging and attracting interactive productions.

Film Nova Scotia firmly believes that continued investment in the province's audiovisual industry will pay dividends into the future. This is an increasingly competitive marketplace, and if funds and human resources are not available, Nova Scotia's audiovisual industry and provincial revenues will suffer, along with the many spinoff service industries that benefit from audiovisual production, because work will go to other provinces and states. These programs support the priorities of the province's *jobsHere* strategy by creating an environment for business growth through a highly skilled and flexible workforce.

## Budget Context

The business plan solicits an appropriation of \$3.1 million, which reflects a 3 per cent decrease on the direction of our shareholder in order to achieve the province's goal to get back to balance by 2013–2014. With this level of funding and strategic partnerships, Film Nova Scotia will be able to achieve its goals of a high level of local, year-round production; an economic benefit 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 are associated with reduced levels of funding and include out-of-work Nova Scotians, companies ceasing to operate, and new trainees not being hired.



The audiovisual industry makes a significant contribution to the province's economy. For each dollar the province invests in Film Nova Scotia 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 \$3.1 million.

## Budget Context

	Budget 2010-11 (\$)	Forecast 2010-11 (\$)	Budget 2011-12 (\$)
<b>Contributions</b>			
Nova Scotia Government	3,191,700	3,491,700	3,096,000
Recovery of equity investments and development loans	200,000	125,000	150,000
Other income	45,000	57,000	40,000
Interest income	6,000	9,000	6,000
<b>Total contributions</b>	<b>3,442,700</b>	<b>3,682,700</b>	<b>3,292,000</b>
<b>Disbursements</b>			
Programming	2,257,900	2,467,900	2,133,845
Administrative	765,300	780,300	776,055
Advertising and marketing	419,500	434,500	382,100
<b>Total disbursements</b>	<b>3,442,700</b>	<b>3,682,700</b>	<b>3,292,000</b>
<b>Net balance</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Administrative expenses</b>			
Salaries and benefits	586,500	605,000	602,000
Other administrative expenses			
Telephone and fax	12,000	12,500	12,000
Staff training	11,000	11,000	11,000
Bank charges	2,300	2,300	2,000
Consultants	13,000	13,000	8,000
Courier	1,500	1,500	1,500
Dues, fees, and subscriptions	12,000	12,000	10,000
Insurance	2,500	2,500	2,500
Conferences and marketing	3,000	3,000	3,000
Board	18,000	14,000	18,000
Repairs and maintenance	4,500	4,500	3,000
Office	15,000	15,000	17,000
Copier and fax rental	3,000	3,000	2,700
Postage	2,000	2,000	2,000
Professional fees	7,000	7,000	7,355
Rent and related move costs	72,000	72,000	74,000
<b>Total administrative expenses</b>	<b>765,300</b>	<b>780,300</b>	<b>776,055</b>



	Budget 2010-11 (\$)	Forecast 2010-11 (\$)	Budget 2011-12 (\$)
<b>Advertising and marketing</b>			
Locations salaries and benefits	175,500	154,000	161,100
Other advertising and marketing			
Advertising	20,000	20,000	10,000
Business development	45,000	47,000	45,000
Locations library	10,000	10,000	8,000
Location services	25,000	25,000	20,000
Marketing	81,000	101,500	60,000
Publications	23,000	30,000	28,000
Sponsorships	40,000	47,000	50,000
<b>Total advertising and marketing</b>	<b>419,500</b>	<b>434,500</b>	<b>382,100</b>

# Outcomes and Performance Measures

## Core Business Area 1 *Global Competitiveness in the Audiovisual Industry*

Outcome	Measure	Data	Target 2011–12	Strategic Actions to Achieve Target
Contribute to Nova Scotia's economy by maximizing, with the resources available, the economic potential of the audiovisual industry	Production activity	2003–04: \$113 million	To maintain or exceed baseline levels to the extent possible with the available resources	Implement the marketing plan
		2007–08: \$76 million		Continue the NS Film Industry Tax Credit
		2008–09: \$150 million		Continue investment and development programs
		2009–10: \$97 million		Keep abreast of changes in the industry and ensure that programs continue to meet the requirements of stakeholders and clients
		2010–11: \$100 million (estimate)		Provide Film Commission services for guest productions
				Maintain industry strategy
				Create a diverse workplace within the industry
				Support jobs in the creative sector
				Provide increased exposure for local filmmakers internationally
				Create/maintain strategic partnerships to generate additional resources for the industry and raise the profile of the industry



### Core Business Area 2 *Industry Development*

Outcome	Measure	Data 2007–2008	Data 2008–2009	Data 2009–2010	Data 2010–2011	Target 2011–2012	Strategic Actions to Achieve Target
To assist and promote the development of the audiovisual industry, producers, and personnel in Nova Scotia	Client feedback					Work in progress	Ongoing research into gaps/overlap in industry, and identify solutions Offer and support professional development initiatives Maintain industry strategy
	Training for Good Jobs—workshop attendance:						Encourage adoption of new skills and technology through post-secondary industry-specific program sponsorship Provide access for local producers to industry gatekeepers
	• Business issues	33	23	12*	7	7–10	
	• Broadcaster/distributor forum (attendance)	47	50	65	43	40–50	
	• Pitches (#)	117	176	104	105	100–110	
	• Pitching workshop	9	8	8	9	8–10	
	• Atlantic Mentorship Program						
	interns hired	2	3	3	3	2	

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





# **Crown Corporation**

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

### FOR THE FISCAL YEAR 2011–2012

## Nova Scotia Fisheries and Aquaculture Loan Board

### ***Business Plan 2011–2012***

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# Message from the Minister, Associate Deputy Minister, and Board

It is our pleasure to present the 2011–2012 business plan for the Nova Scotia Fisheries and Aquaculture Loan Board. This business plan reflects the Loan Board's objectives and focus for the upcoming year.

The Nova Scotia Fisheries and Aquaculture Loan Board has served the province and the fishing industry since 1936 by providing long-term, stable development funding. The Fisheries and Aquaculture Loan Board, since 1944, has lent \$686 million to the harvesting and aquaculture sectors of the fishery in Nova Scotia, thereby enabling fishers and aquaculturists to take advantage of economic opportunities at home, creating jobs in coastal communities and growing the economy.

The Honourable Sterling Belliveau  
Minister

Greg S. Roach  
Associate Deputy Minister

Roy Surette  
Chairman



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## 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.***

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## Corporate Mandate

Through a co-operative agreement between the Fisheries and Aquaculture Loan Board and the Department of Finance, the interest rate of borrowed funds is increased to ensure that the province is in a surplus position. For the fiscal year ending March 31, 2010, the Loan Board surplus was \$5.9 million as per the audited financial statements from PricewaterhouseCoopers. With this financial arrangement in place, the Loan Board can fulfill the expectations and service needs of the fishing and aquaculture industries by providing long-term, stable development funding, which will enable the fishers and aquaculturists of this province to take advantage of economic opportunities at home to maximize jobs and grow the economy of our coastal communities. The fishery is more than a way of life; it is a successful business, and we must strive to keep it productive and internationally competitive.

## Planning Context

Nova Scotia is the leading fishing province in Canada, a nation known as a world fishing power. We are fortunate to have a diversified industry that can survive and prosper on its strengths while various segments suffer cyclical downturns. Our commercial fishery alone has an annual landed value of approximately \$587 million and a market value of \$810 million, and our aquaculture and recreational fishery sectors generate \$142 million more. The industry is the main employer in many regions of the province and drives the economies of our coastal communities.

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



The Nova Scotia Fisheries and Aquaculture Loan Board has served the province and the fishing industry since 1936 by providing long-term, stable development funding. Through this board, the Nova Scotia government ensures that it has a cost-effective, positive, focused, and beneficial influence on the development of the fishing and aquaculture industries of Nova Scotia. The board operates under the authority of the Fisheries and Coastal Resources Act. This act, by its name, emphasizes coastal community development, which is the focus of the board's operations.

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

## Strategic Goals

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

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

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

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

### ***2. Manage the risk profile of the loan portfolio through a vessel inspection program for all new construction, used vessel purchases, modification, and engine/equipment loans.***

A vessel inspection program is necessary for new boat construction to ensure that the boats are built to rigid Loan Board standards. Used vessels, modification, and engine/equipment loans are inspected to ensure that the funds lent are secure in the value of the boat.

### ***3. Minimize loan arrears by managing a loan collection program on a monthly basis.***

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

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

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

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

## Priorities for 2011–2012

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

### *Core Business Area 1*

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

- Provide \$45 million of developmental funding to the fishing and aquaculture industries.
- Continue to assess new loan proposals by applicants.
- Continue to review and amend the loan approval process to ensure quality program delivery.
- Facilitate the replacement and upgrading of older vessels in each fleet.
- Establish access to capital for new entrants and new species.

### *Core Business Area 2*

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

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



### ***Core Business Area 3***

Manage a loan collection program on a monthly basis to keep loan arrears to a minimum. The arrears percentage increased to 5.79 per cent as of March 31, 2010.

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

### ***Core Business Area 4***

Provide financial counselling and assessments for proposed projects.

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



# Budget Context

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

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

## Financial Information

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



# Outcomes and Performance Measures

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

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

## Core Business Area 2

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

Outcome	Measures	Data (100%)	Target 2011-12	Ultimate Target	Strategies to Achieve Targets
Inspect all new vessels under construction biweekly	Number of biweekly inspections on new vessels	2003-04: 531 2004-05: 504 2005-06: 305 2006-07: 420 2007-08: 362 2008-09: 160 2009-10: 54	100% of new vessels under construction to be inspected biweekly	100% of new vessels under construction to be inspected biweekly	Adequate operating budget Biweekly inspection report Biweekly progress payments to boat builders
Inspect all vessels that are financed by the board on a yearly basis	Number of vessels inspected	2003-04: 473 2004-05: 412 2005-06: 447 2006-07: 601 2007-08: 585 2008-09: 484 2009-10: 511	100% of vessels to be inspected annually	100% of vessels to be inspected annually	Adequate operating budget to inspect each vessel yearly Complete annual survey report on each vessel Maintain an equity position in each vessel financed by the Loan Board
Ensure that all vessels related to used boat, modification, engine, or equipment applications are appraised biweekly	Number of biweekly vessel inspections	2003-04: 51 2004-05: 75 2005-06: 61 2006-07: 51 2007-08: 42 2008-09: 30 2009-10: 78	100% of vessels inspected biweekly	100% of vessels inspected biweekly	Adequate operating budget to inspect on a biweekly basis An inspection report to be completed



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

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

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

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

# Appendix A

## Key Statistics—2009

### Industry Income\*

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

### Average Lobster Income\*

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

### Creation and Maintenance of Direct and Indirect Jobs

Estimate 9,187

\* See Appendix B

# Appendix B

## Latest Commercial Fishery Landed Values for Nova Scotia—2009

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

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





# **Crown Corporation**

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

### FOR THE FISCAL YEAR 2011–2012

Nova Scotia  
Gaming Corporation  
***Business Plan 2011–2012***

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# Message from the Minister, Chair, and President & CEO

We are pleased to present the Nova Scotia Gaming Corporation's (NSGC) Business Plan for 2011–2012, a plan that emphasizes a continued commitment to offer Nova Scotians a socially responsible and economically sustainable gaming industry.

In addition to the management of the lottery and casino business lines, NSGC will continue to invest in effective responsible gaming programs in 2011–12. With a mandate to deliver 100 per cent of profits from regulated gaming to help support important government programs and services, NSGC and its operators are proud to be key contributors to the Nova Scotia economy.

NSGC is a passionate supporter of a healthy and vibrant province, and this plan links a progressive business culture with a commitment to giving back to communities throughout Nova Scotia. For example, through the *Support4Sport* program, introduced in 2006, Nova Scotians have raised \$12 million to support local athletes, coaches, officials, and community sport organizations. This program is now the largest contributor to sport in Nova Scotia and reflects a longstanding historical link between gaming and sport.

The new Responsible Gaming Strategy has set the direction for gaming over the next five years. NSGC's business plan for 2011–12 underscores the course reflected in this new strategy to achieve responsible economic returns in a year of fiscal challenge and an increasing competitive environment from both regulated and non-regulated gaming. The plan outlines how ongoing success in the gaming industry reflects the important balance of social responsibility and economic sustainability.

Respectfully submitted,

The Honourable David Wilson  
Minister responsible for Part 1 of the Gaming Control Act

Gordon Gillis  
Chair

Stephen MacDonald  
Acting 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

NSGC's planning environment for 2011–12 is shaped largely by economic factors, competitive pressures, and important social responsibility commitments.

NSGC's revenues are dependent 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 gaming revenues. NSGC has incorporated the province's economic assumptions for 2011–12, 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 up slightly in 2010–11, contributing to positive results from this market. Visitation for 2011–12 is uncertain, particularly for those from Europe or the United States and, therefore, no growth from this segment is reflected in the budgeted performance for the casino business line. As a result of the above, 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 such as those via the Internet. Nova Scotia's casinos will also face a full year of competition from the casino in Moncton, which opened during the 2010–11 fiscal year. Finally, growth of First Nations' video lottery revenue, which is expected to be \$46 million in 2011–12, will continue to be a 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 provide entertainment value in an environment of fairness and integrity. Many of NSGC's lottery assets were at the end of their useful life and are therefore slated for replacement in 2011–12. While this has resulted in favourable expense levels in prior years, in order to sustain the business, capital and operating costs must be incurred to replace aging assets and to implement new initiatives such as the *My-Play* System.

Innovation and corporate social responsibility are the keys to continued success, and they heighten the need for NSGC to be resourceful and to invest appropriately 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 its commitment to 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 commitments 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 2011–12 with the Social Responsibility Charter. In particular, the charter's focus on responsible gambling, prevention programming, and greater accountability is strongly aligned with NSGC's operations.

It is within the above context that NSGC considers the 2011–12 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 the direction outlined in government's Responsible Gaming Strategy

### ***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 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

## 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:

### ***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 gaming industry in Nova Scotia and that aligns with the province's Responsible 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 to utilize responsible gambling and problem gambling experts to assist in this process.



**Social Responsibility**—Nova Scotia has been recognized by international experts as being among the most socially responsible gaming jurisdictions in the world. NSGC will continue to offer responsible gambling initiatives that promote awareness, education, and informed choice.

### ***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 that 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 objective.

**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 with 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, public confidence, and security.

### ***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 2011–2012**

### ***1. Pursue a Sustainable Gaming Industry***

In striving to generate responsible economic returns, NSGC will focus its attention on the following priorities in 2011–12:

**Casinos**—The overarching objective for the casino business line is to sustain revenue by continuing to position Casino Nova Scotia (CNS) as Atlantic Canada's premiere entertainment destination and meet the challenges of increased competition. The Halifax casino will leverage the Schooner Showroom to offer national and international singers, comedy, theatre acts,

intimate and interactive performances, and concerts. The casino will continue to provide guests with an attractive gaming experience by ensuring that games are current and relevant for players.

The value of the Player's Club program will be enhanced to retain customer loyalty and to 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. Best-practice responsible gambling programs will be further integrated throughout the casino.

These initiatives are particularly important given that the Halifax casino will face continued competition in 2011–12 from Casino New Brunswick.

The Sydney casino will continue to build on the success of the introduction of the Player's Club program by more effectively communicating with casino guests. 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 are required to sustain the existing business. Atlantic

Lottery will focus efforts in 2011–12 on evaluating and developing strategies that will responsibly grow the ticket lottery player base and provide a framework for sustainable growth. Enhancements will be made to the existing products to improve the gaming experience of those players who chose to purchase online.

Continued improvement of product offerings is another focus in 2011–12, with the exploration of new ways to increase value for players, such as additional opportunities to win on instant tickets and the introduction of unique game offerings that will allow for greater player engagement. A new regional draw game that combines draw game and instant-win components will be launched to appeal to a broader range of ticket lottery players.

Atlantic Lottery will make further improvements with the replacement of the existing ticket lottery retail terminals. The new ticket lottery terminals will deliver efficiencies to the business line and will offer enhanced security and controls for 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.

Costs will increase in 2011–12 as ticket lottery terminal assets, which were fully amortized in a previous year, are replaced.





**Video Lottery**—The *My-Play* system is the world's first card-based video lottery information system that provides information to video lottery players about their play so that they can make informed choices. NSGC will continue to promote this program among players and retailers as a valuable informed-decision-making tool.

Efforts will be focused on stabilizing the video lottery business line and investigating opportunities to improve product offerings at retail sites. Efforts will also be made to enhance site standards and further integrate responsible gambling into the day-to-day operations at retail locations.

Rising costs, such as the *My-Play* system, and decreasing revenues will result in decreased profitability of this business line. Further, required game replacements on the existing aging terminals will be made in 2011–12. Without this investment, base revenues would decrease further than that contemplated in the 2011–12 budget.

**SuperStar Bingo**—As part of NSGC's Charitable Sector Support program, Superstar Bingo will continue in 2011–12. 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 2011–12, NSGC will continue

to foster informed player choice through 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 responsible gambling and prevention programming.

To be effective, the concept of social responsibility must be integrated into 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 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, currently at 0.9 per cent, among the lowest in the country



and sustain the casual social player base for a healthy and sustainable industry in Nova Scotia.

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:

- Responsible Gambling Awareness Week
- YMCA's *Youth Gambling Awareness* program
- Responsible Gambling Council's *RU UP?* program
- Responsible Gambling resource centres at both casinos
- *My-Play* system for video lottery players
- Responsible Gambling training for ticket and video lottery retailers

In 2011–12, NSGC will continue to deliver the *BetStopper* program, which is a world-first and a key prevention programming initiative. *BetStopper* is content-blocking software designed for use on home computers in order to help parents and caregivers prevent underage children from visiting gambling websites. The *BetStopper* software will continue to 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 gaming industry. Further, NSGC developed the Responsible Gambling Impact program in partnership with two world-leading social responsibility experts. The program will be integrated with GAM-GaRD and utilized in the overall decision-making process to determine if a new game should be launched in Nova Scotia.

NSGC will also continue to be a significant contributor to Nova Scotia's communities in 2011–12. A key element in this area is the *Support4Sport* program, which is expected to raise approximately \$2.9 million for sport in 2011–12. This money will be used to buy sports equipment, create recreation/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 Nova Scotia cultural federations, 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 670 people and the injection of \$41 million in retail commissions to local Nova Scotia businesses. In 2011–12, NSGC will provide \$128 million to fund provincial programs and services. 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 2010–11 that will continue in 2011–12 include quarterly reports, an annual report, business plan, a community report, fact sheets, press releases, and website updates. In addition, NSGC will further enhance its website to serve as an important resource for those seeking information about responsible gambling and the gaming industry in Nova Scotia.

## Budget Context

	Estimate 2010–11 (\$ 000)	Forecast 2010–11 (\$ 000)	Estimate 2011–12 (\$ 000)
<b>Sales</b>			
Casinos	79,300	82,300	85,100
Ticket lottery	188,900	215,800	205,300
Video lottery	142,500	140,400	129,200
<b>Total sales</b>	<b>410,700</b>	<b>438,500</b>	<b>419,600</b>
Cost of sales	281,700	299,600	294,800
<b>Gross profit</b>	<b>129,000</b>	<b>138,900</b>	<b>124,800</b>
<b>Expenses</b>			
Responsible gambling programs	8,400	6,800	7,500
Commitments to community programs	4,200	5,200	4,600
Add: interest income	—	(100)	(200)
<b>Total expenses</b>	<b>12,600</b>	<b>11,900</b>	<b>11,900</b>
<b>Net income</b>	<b>116,400</b>	<b>127,000</b>	<b>112,900</b>
<b>Casino win tax</b>	<b>14,200</b>	<b>14,900</b>	<b>15,500</b>
<b>Payment to province</b>	<b>130,600</b>	<b>141,900</b>	<b>128,400</b>



# Outcomes and Performance Measures

## Core Business Area 1 *Pursue Sustainable Gaming Industry*

Outcome	Indicator	Measure	Target 2011–12	Planned Target 2014–15	Strategies to Achieve Targets
Economic Sustainability	Total payment to province	Actual to budget	\$128.4 million (+/-10% of budget)	\$143.0 million (+/-10% of Budget)	Monitor operators to ensure compliance with business plans
	VL as percentage of total net income	Stabilize percentage of net income from operations	63%	65%	Introduce new ticket lottery products and enhancements to the casino business
	Commissions to retailers	Amount paid	\$37.1 million	\$41.4 million	

## Core Business Area 2 *Foster Social Responsibility*

Outcome	Indicator	Measure	Target 2011–12	Planned Target 2014–15	Strategies to Achieve Targets
Social responsibility	Awareness of responsible gambling behaviours	Percentage 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	Percentage 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

### Core Business Area 3 *Ensure Accountability and Communications*

Outcome	Indicator	Measure	Target 2011–12	Planned Target 2014–15	Strategies to Achieve Targets
Accountability	Response to routine access requests for information	Percentage response within two business days	100%	100%	Employ sound operations management
	Reports submitted on or prior to legislated deadlines	Percentage of NSGC and Operator reports provided before due date	100%	100%	Incorporate targets into employee personal performance plans
	Introduction of socially responsible products	Percentage of products introduced with social responsibility assessment	100%	100%	Continue to conduct social responsibility assessments





# **Crown Corporation**

## **B U S I N E S S   P L A N S**

### FOR THE FISCAL YEAR 2011–2012

#### Harbourside Commercial Park Inc. ***Business Plan 2011–2012***

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# Message from the Minister and the President

Harbourside Commercial Park Inc. (HCPI) began operations as a Crown corporation during the 2007–2008 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 saw the opening of a new sports facility within the commercial park. The new facility includes 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. Two local high school soccer teams have adopted our facility as their new home field.

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 2011–2012 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.



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## 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.***

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## 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 (In 2010 the Sydney River water system was shut down and will be decommissioned this year. SUL will also manage the operation of the Grand Lake water system, which is now in full operation, supplying process water to Harbourside Commercial Park.)

## 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 will manage the operation of the Grand Lake process water utility, which is now operational. Nova Scotia Lands Inc. will undertake the planning for, and decommissioning of, the Sydney River water system on SUL's behalf..

### *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 2011–2012

### *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.
- 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. This project had started in the fall and will be complete this early summer.

### ***Development of Infrastructure on Existing Remediated Lands***

- Improve marketing and signage for the park.
- Turn over roads to CBRM.

### ***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 site properties.
- Develop a long-term strategic plan for the future use of the next phase of the site.



## Budget Context

	Budget 2010-11 (\$ 000)	Forecast 2010-11 (\$ 000)	Budget 2011-12 (\$ 000)
<b>Revenue</b>			
Leases and rent	1,000	1,005	978
Sale of land	20	20	88
Other	40	52	50
<b>Total revenue</b>	<b>1,060</b>	<b>1,077</b>	<b>1,116</b>
<b>Expenses</b>			
General operating expenses	915	877	999
Management fees	115	104	105
<b>Total expenses</b>	<b>1,030</b>	<b>981</b>	<b>1,104</b>
<b>Net income (loss)</b>	<b>30</b>	<b>96</b>	<b>12</b>
Capital expenditure	2,000	805	1,000

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: 2011–12	Trends	Strategies to Achieve Target
Continued management of the park	Number of property sales and leases	2008–09	Four lot sales and all office space leased		Continue marketing activities
Lease renewal for marine facility and back-up lands	Signing of new 5-year lease	2005–06	Renewed lease New lease arrangement	2011–12: 100%	Negotiations with Provincial Energy Ventures and other potential users

## Core Business Area 2 *Sydney Utilities Activities*

Outcome	Measure	Base Year	Target: 2011–12	Trends	Strategies to Achieve Target
Commissioning of Grand Lake water utility	Water usage by commercial users in park	2010–11	Water system complete	2011–12: 100%	Management of construction contracts
Shut down of Sydney River system	System no longer in use	2010–11	Planning for and decommissioning underway	2011–12: 100%	Liaison with CBRM and management of consultant contracts



### Core Business Area 3 *Planning for Future Use*

Outcome	Measure	Base Year	Target: 2011–12	Trends	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	2011–12: 20%	Participation in planning process with federal and municipal governments
Land use plan for Harbourside site this year	Completed plan	2010–11	Plan for adjacent site	2011–12: 100%	Engage land-use consultant





# **Crown Corporation**

## **B U S I N E S S   P L A N S**

### FOR THE FISCAL YEAR 2011–2012

#### Nova Scotia Housing Development Corporation *Business Plan 2011–2012*

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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 share with you the corporation's 2011–2012 business plan. Building on last year's plan, and on the input from our government and community partners, our 2011–2012 plan reflects our priorities for the upcoming year.

In 2009, the federal government and the province announced the Canada Economic Action Plan, a two-year program that saw the province's social housing portfolio benefit from a \$128 million funding investment—the largest investment in social housing in Nova Scotia in decades. As of March 31, 2011, all stimulus funds were committed. This investment in affordable housing has created good jobs in communities across the province, strengthened the economy, and made accessing safe, affordable housing easier for thousands of Nova Scotian families, seniors, and persons with disabilities. In 2011–2012, we will continue our work to complete the remaining funded housing projects under our various programs.

The corporation is currently in negotiation with the federal government to secure funding through to March 31, 2014, for the Affordable Housing Program (AHP) and the Renovation Rehabilitation Assistance Program (RRAP). These negotiations will be finalized in 2011–2012, enabling the province to move forward with its social housing agenda.

Also in 2011–2012, the corporation, on behalf of the province and through its lending programs, will provide \$146 million in financing to support such initiatives as the Department of Health and Wellness Long-Term Care Beds Renewal initiative, as well as expansion in the Early Learning and Child Care sector. We will also continue to invest in the Services for Persons with Disabilities sector.

The corporation's 2011–2012 business plan sets out realistic goals over the next year. We look forward to working with our government and community partners to achieve those goals and to ensuring that Nova Scotians continue to have access to good, affordable homes for years to come.

The Honourable Denise Peterson-Rafuse  
Minister,  
Department of Community Services

David Ryan  
A/Deputy Minister,  
Department of Community Services



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## Mission

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

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## 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 assets and financial tools are available and used effectively 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, nursing homes, and day cares
- manage the funded reserves associated with provincial housing programs to protect the province from loss

## Priorities for 2011–2012

The following priorities for 2011–2012 are in addition to the many ongoing activities that Community Services staff carry out on behalf of the corporation.



### ***Priority: Affordable Housing Investment***

In 2009, the Government of Canada and the province jointly announced a two-year investment of approximately \$128 million in affordable-housing funding initiatives. As of March 31, 2011, all the available funds have been committed. This investment in affordable housing has created jobs, strengthened the economy, improved the province's housing stock, and improved the quality of life for tenants of our social housing units and Nova Scotians.

During 2011–2012, work will continue on the completion of all the remaining funded housing projects under the current stimulus plan in each of the areas listed below.

The funding involves the following five components:

- **Residential Rehabilitation Assistance Program (RRAP)**—An \$18 million investment to help Nova Scotians undertake needed health and safety repairs to their homes or to adapt their homes so that they can continue to live independently.
- **Canada–Nova Scotia Affordable Housing Initiative**—A \$13.3 million commitment to create or preserve more than 370 affordable housing units across the province.
- **Co-operative and Non-profit Housing**—A \$20.6 million investment to upgrade over 1,100 homes involving 30 co-operative or non-profit housing organizations. Improvements funded include replacing such things as roofs, windows, doors, exterior stairs, and exterior cladding. These improvements ensure that the housing will be safe and more energy efficient and therefore more physically sustainable. These investments should help to reduce annual operating costs.
- **Public Housing**—Strategic public housing investments of \$48.1 million in three areas: energy efficiency initiatives, general building upgrades based on the Capital Asset Management Plan, and aging-in-place initiatives. Aging-in-place funded activities include ramps, generators, automatic door openers, fire alarm improvements, handrails, and three elevators in senior housing projects—specifically the installation of elevators in Margaree Manor in Inverness, MacCual Villa in Great Village, and Northwood Apartments in the Town of Shelburne.
- **Affordable Rental Housing for Seniors and Individuals with Disabilities**—All available funds (\$27.4 million) have been committed to build approximately 196 affordable rental units. As of March 31, 2011, some 62 units have been completed, 107 units are under construction, and 27 units are in the initial design phase. This housing is accessible and age friendly; e.g., bathrooms are wheelchair accessible

with walk-in showers instead of bathtubs and buildings have at-grade entrances, wider doorways, and electrical outlets higher from the floor.

***Priority: Negotiation of a New Affordable Housing Agreement***

The current Affordable Housing Program (AHP) and Renovation Rehabilitation Assistance Program (RRAP) bilateral agreements expire on March 31, 2011.

On October 29, 2010, the Government of Canada initiated a series of discussions through the Federal-Provincial-Territorial Deputy Ministers Housing Forum. The focus of these discussions has been a federally proposed Multilateral Housing Framework and a new, combined bilateral housing agreement.

In 2011–12, the Nova Scotia Housing Development Corporation, on behalf of the province, will finalize negotiations to secure funding to support the province's social housing agenda.

***Priority: Funding Support for Government's Public Policy Agenda***

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

In 2011–2012, the corporation will provide a total of \$146 million in financing to support

- the Department of Health and Wellness Long-Term Care Beds Renewal initiative
- 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.



## Budget Context

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

### Nova Scotia Housing Development Corporation Funding

Funding source	Estimate	Forecast	Estimate
	2010–11 (\$ 000)	2010–11 (\$ 000)	2011–12 (\$ 000)
Revenue from government sources	144,914	146,105	130,430
Revenue from rents	53,151	53,333	52,787
Interest, revenue from land sales, and other revenue	22,710	20,795	28,962
<b>Total funding</b>	<b>220,775</b>	<b>220,233</b>	<b>212,179</b>

### Nova Scotia Housing Development Corporation Expenditures

Expenditure source	Estimate	Forecast	Estimate
	2010–11 (\$ 000)	2010–11 (\$ 000)	2011–12 (\$ 000)
Interest on long-term debt	43,363	41,693	48,625
Property management and operation	31,496	50,615	52,829
Maintenance and capital improvements	30,165	27,348	28,615
Housing renovation and affordable housing	15,705	17,535	18,160
Transfer to Housing Services	32,500	16,217	24,514
Amortization of investment in social housing	14,000	14,725	15,238
NS Housing Stimulus Plan	47,546	46,034	18,298
Administration fee and cost of land sold	6,000	6,066	5,900
<b>Total expenditures</b>	<b>220,775</b>	<b>220,233</b>	<b>212,179</b>



# Outcome and Performance Measures

The corporation provides financing assistance to qualified agencies to purchase, lease, or upgrade housing- and 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 and Wellness, since publically subsidized per diem rates include financing costs.

## Core Business Area

### *Provide mortgage guarantees and/or loans to qualifying housing projects*

Outcome	Measure	Data	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 financing provided to housing projects	2010-11: \$210 million (est.) 2009-10: \$192 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	\$152 million	In 2011-12, the Nova Scotia Housing Development Corporation will continue to provide financing to new and existing projects, which include <ul style="list-style-type: none"> <li>• construction of new long-term care beds</li> <li>• renovation of existing social housing projects</li> <li>• construction of new child-care facilities</li> <li>• construction and renovation of facilities that provide services to persons with disabilities</li> </ul> The Nova Scotia Housing Development Corporation also provides financing to qualified homeowners to purchase modest housing and to renovate or improve the energy efficiency to existing eligible housing
	The amount invested/committed through the Housing Stimulus Initiative	2010-11: \$57.52 million 2009-10: \$38.6 million	N/A**	In 2011-12, the Nova Scotia Housing Development Corporation, on behalf of the province, will finalize negotiations to secure funding through to March 31, 2014, to support the province's social housing agenda

\* Previous data was based on the 2009-2010 forecast; this now reflects the actual.

\*\* As of March 31, 2011, 100% of the Housing Stimulus funds have been committed.





# **Crown Corporation**

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

### FOR THE FISCAL YEAR 2011–2012

Nova Scotia Lands Inc.

***Business Plan 2011–2012***

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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, totaling 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 and construction for a new industrial water supply at Grand Lake to service the Harbourside Commercial Park tenants has been completed. The new plant is now operational. This work was carried out in consultation with the Cape Breton Regional Municipality to ensure that it is complementary to the existing municipal potable water supply to the commercial park.

In 2011–2012, 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 its \$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 Corporation (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.

Some of the challenges that NSLI faces in managing the remediation of the former Sysco site is the changing environmental regulations. While extremely important, they do 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 Corporation that are outside 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.

### ***Reuse of Blast Furnace Slag, By-products***

Slag materials were produced as a by-product of the steelmaking process. Several hundred thousand tons of these

products are 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 2011–2012**

### ***Former Sysco Site Rehabilitation***

- Complete Phase II and III ESAs in the tank farm area, August 2011
- Finish remediation of isolated contamination areas
- Remediate other areas (pending ESA results)
- Decommission south substation
- Remediate high dump sludge, December 2011
- Modify standpipe
- Clean up fuel cell building
- Rebuild fire system
- Do general maintenance, monitoring well checks
- Level slag quarry
- Do air monitoring, groundwater sampling



### ***Former Sysco Site Redevelopment***

- Complete north end final cover, north end final paving, November 2011
- Continue grading and levelling of ore field area, September 2011
- Maintain concrete pilings in the docks area

### ***Support to the Tar Ponds and Coke Ovens Project***

- Provide management support on CO site for grading and capping
- 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 environmental assessments on selected (higher priority) sites
- If issues are identified, develop a priority list to remove public safety hazards and environmental concern at prioritized sites
- Continue other ongoing assessments
- Carry out other work as contracted from other government departments

### ***Decommissioning of the Sydney River Water System***

- 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 2010–11 (\$ 000)	Forecast 2010–11 (\$ 000)	Budget 2011–12 (\$ 000)
<b>Revenue</b>			
Management fee from HCPI	115	104	105
Miscellaneous recoveries	3,500	3,945	4,050
Miscellaneous revenue	0	92	3
Recovery from Sysco	7,383	5,815	4,878
<b>Total revenue</b>	<b>10,998</b>	<b>9,956</b>	<b>9,036</b>
<b>Expenses</b>			
Payroll	1,260	1,126	1,003
General and administrative expenses	490	489	490
Project management	100	58	100
Security services	125	85	95
Site reconstruction	3,098	2,343	4,463
Cleanup and containment	5,710	5,737	2,700
<b>Total expenses</b>	<b>10,783</b>	<b>9,838</b>	<b>8,851</b>
<b>Net income</b>	<b>215</b>	<b>119</b>	<b>185</b>

FTEs	11	11	9
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# Outcomes and Performance Measures

## Core Business Area 1 Sysco Site Rehabilitation and Redevelopment

Outcome	Measure	Base Year	Trends	Target 2011-12	Strategies to Achieve Target
Continue with final environmental site assessments	Complete final two areas	2008-09	2008-09: 75% 2009-10: 90% 2010-11: 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% 2010-11: 90%	Work complete	Manage final contract work
Remove final aboveground and underground piping	Remove hazardous material pipeline	2007-08	2010-11: 100%	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 2011-12	Strategies to Achieve Target
Tar cell area remediated and redeveloped	Finalize last major contract	2009-10 2010-11	2009-10: 30% 2010-11: 100%	Work completed	Manage awarded contract
Manage operation of contaminated material cell		2010-11	2010-11: 30%	Work ongoing 2011-12: 45%	Oversee placement of material to ensure no damage to cell liner

### Core Business Area 3 Environmental Assessment of Other Provincially Owned Sites

Outcome	Measure	Base Year	Trends	Target 2011-12	Strategies to Achieve Target
Finalize two EA studies	Approve final reports	2009-10	2009-10: 80% 2010-11: 100%	Reports complete	Comment on and accept final reports
Identify health and safety issues	Document issues and develop action plan	2009-10	2009-10: 20% 2010-11: Ongoing as per needs	All main H&S 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 2011-12	Strategies to Achieve Target
Finalize construction and commission water supply	Final contracts complete	2009-10	2009-10: 80% 2010-11: 100%	Water system in use	
Shut down Sydney River system	Prepare decommissioning plan	2010-11	2011-12: 100%	Sydney River system shutdown & decommissioning	



# **Crown Corporation**

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

### FOR THE FISCAL YEAR 2011–2012

#### Nova Scotia Liquor Corporation ***Business Plan 2011–2012***

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## Mission

***To bring a world of responsible beverage enjoyment to Nova Scotia.***

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## 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 in 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 among 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 prevent the sale of beverage alcohol to minors and to limit the harmful impacts of irresponsible behaviour relating to the misuse of beverage alcohol. The NSLC has well-trained employees dedicated to preventing the sale of beverage alcohol to those under the legal drinking age. The NSLC also tries to mitigate potential harm to society through the use of its pricing policies. A social reference or minimum price is applied to all products to ensure that excessive discounted pricing, which could encourage harmful consumption, is not used. It also tries to mitigate the potential harm to society through the use of pricing policies.

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. Externally, in fulfilling its legislated mandate, the NSLC focuses on advocacy, raising awareness of the impact of irresponsible behaviour regarding alcohol consumption. 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 sale of their products.

It is important to note that the licensing and regulation of all bars, restaurants, pubs, and lounges permitted to sell beverage alcohol rests with the Nova Scotia Alcohol and Gaming Division of the Department of Labour and Advanced Education.

The NSLC has developed, based on its legislated mandate, a statement of purpose to guide its employees in what is expected from them and what they can expect from the corporation. The NSLC's Purpose, Vision & Culture statement goes beyond the legislated requirements to describe and inspire its people as to the business the NSLC aspires to be.

### ***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 becoming a Crown corporation in 2001 with a new commercial mandate, the NSLC has undergone a profound transformation to become a customer-centric, leading retailer in the province. During this time the NSLC has achieved remarkable sales growth of 55 per cent, delivering a 63 per cent increase in net income to our shareholder. This amounts to approximately \$2.0 billion in net income (2000–2001 to 2010–2011 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 employees who offer personalized service.

The NSLC's continued success depends on its ability to respond to the realities of the 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.

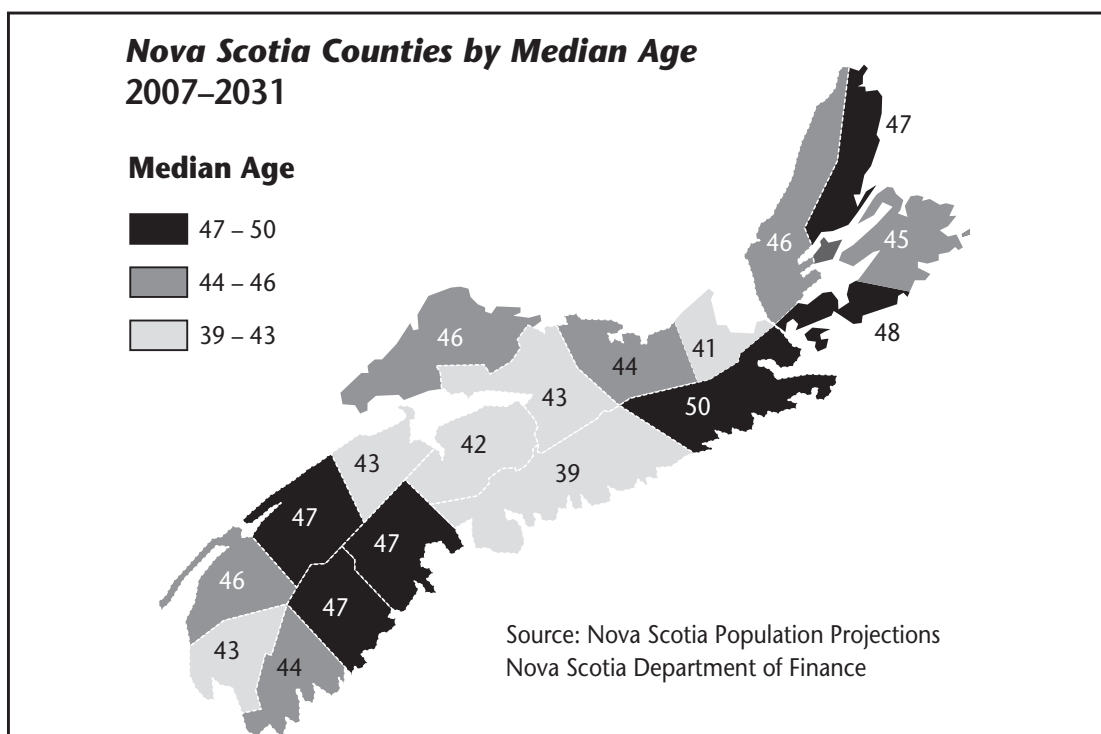
A key strategic priority for the NSLC's Five-Year Strategic Plan 2010–2015 is creating the right customer experience for the right market.

### **Market**

Statistics Canada's 2009 population data indicate that 79.8 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. Therefore, the NSLC customer base consists

of approximately 550,000 people, most of whom visit an NSLC store at least once a month.

Population growth in Nova Scotia is relatively flat and 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 movement of population between counties 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 (50). This variation in the composition of the population across the province is reflected in the makeup of the NSLC's customer base, the implication being that a one-store-fits-all approach in terms of design, format, and merchandising is not 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 June 2010, the Nova Scotia Department of Economic and Rural Development and Tourism reported that there were 816,000 visitors to the province, a 4 per cent increase from the same period

the previous year. Cruise ship activity increased in both Halifax, up 15 per cent, and in Sydney, up 37 per cent. 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 industry. There are 38 beverage alcohol manufacturers in Nova Scotia (including wineries, microbreweries, distillers, and brew pubs) with approximately 280 registered representatives and agents. The NSLC manages more than 6,500 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 this 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 contrast, per capita consumption of spirits in Nova Scotia remains modestly above the national average. 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
<b>Spirits (excludes coolers)</b>						
Canada	5.50	5.58	5.56	5.72	5.82	5.88
Nova Scotia	6.85	7.01	7.11	7.07	6.92	6.97
<b>Coolers</b>						
Canada	3.19	3.15	3.09	2.98	2.97	3.00
Nova Scotia	3.11	3.53	3.45	3.69	4.05	4.30
<b>Wines</b>						
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
<b>Beer</b>						
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
<b>Total</b>						
<b>Canada</b>	<b>111.32</b>	<b>112.3</b>	<b>111.49</b>	<b>112.9</b>	<b>113.87</b>	<b>115.17</b>
<b>Nova Scotia</b>	<b>102.46</b>	<b>105.49</b>	<b>103.72</b>	<b>106.41</b>	<b>107.38</b>	<b>109.12</b>

\*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
<b>Total</b>						
<b>CANADA</b>	<b>111.32</b>	<b>112.30</b>	<b>111.49</b>	<b>112.90</b>	<b>113.87</b>	<b>115.17</b>
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
<b>Nova Scotia</b>	<b>102.46</b>	<b>105.49</b>	<b>103.72</b>	<b>106.41</b>	<b>107.38</b>	<b>109.12</b>
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 on 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.

The NSLC looks for growth opportunities while balancing one of the NSLC's key strategic responsibilities—to promote social objectives regarding responsible drinking.

### ***Economy***

All organizations from profit businesses to non-profit charitable groups, from governments to Crown corporations are affected by the swings in the economy. The recession did not hit Nova Scotia as severely as it did other parts of Canada; nonetheless, the impact was felt. The North American recovery is expected to be slow by historical standards, and risk and uncertainty remain as a result. This reality is a major consideration of this business plan.

### **Retail Sales**

The Nova Scotia Department of Finance is forecasting retail sales to grow by 1.8 per cent in 2011.

### **Gross Domestic Product**

The Nova Scotia Department of Finance is forecasting real GDP growth of 1.2 per cent in 2011 and growth of 0.6 per cent in 2012.

### **Employment**

The Nova Scotia Department of Finance expects employment in Nova Scotia to grow by 0.3 per cent in 2011 and to grow by 0.5 per cent in 2012.

### **Personal Income and CPI**

The Nova Scotia Department of Finance projected Nova Scotians' personal income to grow 1.7 per cent in 2011 and to grow by 2.2 per cent in 2012.

The Consumer Price Index (CPI) is expected to grow at a rate of 1.8 per cent in 2011 and to grow at a rate of 2.0 per cent in 2012.

### ***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 employees have been added to the same bargaining unit as full-time and part-time store clerks.

All three of the NSGEU collective agreements were in effect until March 31, 2010. Collective bargaining commenced during the fiscal year 2010–2011. The new collective agreement will be signed and implemented during the 2011–2012 fiscal year. The expected economic climate





and the addition of casual employees to the bargaining unit has added 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. The NSLC has a positive labour relations climate, and this will provide a solid foundation for upcoming collective bargaining.

### Business Planning

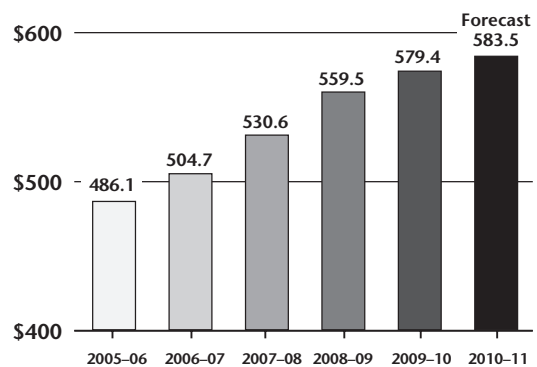
The guiding force to successfully meet and exceed NSLC business objectives is the annual business planning process and five-year strategic plan. These two documents provide the tools for the board, executive team, management, and all employees to implement strategies that ensure that the individual targets of each business unit and the overall financial goals of the NSLC are met or exceeded.

This year's business plan represents the second year of the NSLC 2010–2015 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 the final year of the strategic plan in 2015.

The annual business plan outlines the major annual projects and priorities that the NSLC will focus on and deliver in the current year of the five-year strategic plan.

The planning process has worked well. The NSLC has experienced positive sales growth over the last six years, growing by 29.38 per cent to a forecasted \$583.5 million, producing a compound annual growth rate (CAGR) of 4.4 per cent.

### Performance–Sales Millions of Dollars



### Retail Environment

The lingering impact of the global recession is a continued change in consumer behaviour when compared to the previous decade. Consumers are more value conscious than ever before. However, this does not mean they are seeking lower-quality goods; they are still willing to pay premium pricing if there is a strong value proposition. They are staying 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. This trend is likely to continue over the coming year.



The NSLC's monopoly status as the province's retailer of beverage alcohol does not remove 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 employees, product value, and product promotions.

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 second year of its five-year strategic plan, the economic forecasts for the coming year are showing signs of improvement but also indicate a great deal of variability in actual economic performance and consumer confidence. As a result, modest NSLC growth is forecasted for this business-planning year.

To help develop its financial forecasts, the NSLC performs economic analysis of the Nova Scotia economy. Using more than 30 years of NSLC sales history and economic statistics for the province, a predictive economic model has been developed for financial planning. One of the key economic indicators considered is

the inflation rate. The latest projections by the Nova Scotia Department of Finance suggest that the consumer price index (CPI) will increase at an annualized rate just over 1.8 per cent for Nova Scotia in 2011. 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.

NSLC 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 employees and with merchandising displays

All retailers are vying for a larger piece of the customer'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 more convenient to shop for beverage alcohol. This has been accomplished by 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 viewed by customers as one of the top retailers in the province.

The future of retail over the next few years will see customers expecting more customized and personalized shopping experiences. The rapid growth of social media is changing all business, including retail. As all customers expect more from retail through both their interactions on the web and through smart phones, retailers need to work to provide these enhanced customer experiences. The “net generation” of 19- to 34-year-olds represents 27 per cent of NSLC customers. According to studies, this group tends to represent 32 per cent of beverage alcohol sales. Therefore, it is an important aspect of the NSLC’s business planning to respond to this group’s shopping requirements in a meaningful way.

### **Customer Satisfaction**

Since 2006, the NSLC has measured customer satisfaction and also conducted an annual survey of Nova Scotians to examine their views of the NSLC as a retailer compared to the shopping experience provided to them by other retailers in the province.

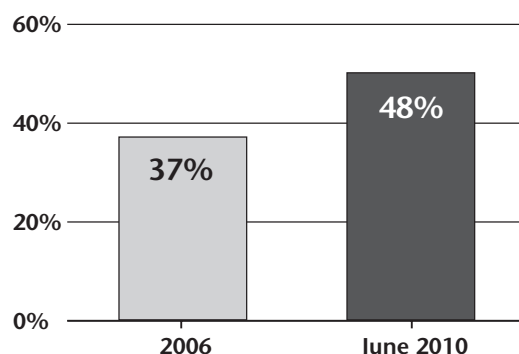
Successive waves of this study have consistently demonstrated that NSLC is ranked among a small number of retailers

that routinely provide an excellent shopping experience. This year’s results were no different, giving the NSLC a ranking that ties it for second place overall in the province.

The NSLC has measured customer satisfaction with the key elements of its current five-year strategic plan for the past four years. Since then, NSLC’s performance has increased three percentage points, from 84 per cent in the spring of 2006 to 87 per cent in June 2010.

NSLC customer satisfaction surveys measure a number of evaluations of the retail performance. One of the key measures tracked is customers overall satisfaction. The chart below indicates that since starting this tracking in 2006, the number of customers that give NSLC a perfect 10 out of 10 score on its 0–10 performance rating scale has grown from 37 per cent, to 48 per cent, an 11 percentage point increase.

**Percentage of NSLC Customers Rating Their Overall Satisfaction with the NSLC a 10 out of 10**



Beyond measuring overall satisfaction levels, NSLC tracks customer evaluations across 23 separate aspects of its retail service operations. The analysis of these 23 items reveals that they can be grouped together and distilled down into 11 broad retail performance factors. The table below summarizes these 11 factors. Since 2006, NSLC customers have become increasingly satisfied with virtually all of these attributes, most notably those related to evaluations of NSLC employees (helpful staff, proactive staff, and knowledgeable staff). The first four factors in the table are items that drive or cause a disproportionate share of customers' overall satisfaction and as such are items the NSLC monitors closely in managing the business.

### ***Corporate Social Responsibility***

The province's *Sustainable Prosperity* initiative states that Nova Scotians are looking for businesses to meet today's needs while not compromising the province's environment. For the NSLC, corporate social responsibility is more than just being responsible environmental stewards. All NSLC stakeholders expect high standards in community involvement, social responsibility, employee matters, ethics, transparency, and sustainable growth.

The NSLC is developing all aspects of its business and future planning to ensure sustainable prosperity with its Corporate Social Responsibility plan (CSR). The NSLC Sustainability Report outlines the organizations commitment to improving all aspects of its corporate social responsibility role and reports on how it is doing against its goals.

Drivers of Satisfaction	March 2006	June 2010	Percentage Point Change
SKU alignment and availability	70%	72%	2 points
Store layout and checkout speed	77%	78%	1 point
Retail shopping experience	80%	88%	8 points
Preferred product	79%	79%	0 points
Helpful staff	76%	84%	8 points
Knowledgeable staff	73%	78%	5 points
Proactive staff	65%	76%	11 points
Product sales and promotions	43%	45%	2 points
Sampling	47%	52%	5 points
Store accessibility	74%	77%	3 points
Cool zone/Chilled beer	75%	79%	5 points



The NSLC's environment efforts included the completion of its second Greenhouse Gas Inventory (carbon footprint), providing a solid baseline to measure progress as it implements efforts to reduce its environmental impact. The NSLC also initiated an environmentally friendly method of managing its liquid waste. Through routine product handling, the NSLC incurs product breakage or damage resulting in liquid waste throughout the store network and at its Distribution Centre.

The NSLC has been measuring its carbon footprint by analyzing its greenhouse gas emissions for the past two years. The NSLC has taken a leadership position by measuring both the direct emissions, such as oil and other fuel consumption in stores, and indirect emissions caused by supply-chain transportation requirements. In 2008–2009 the NSLC's carbon footprint was 27,000 tonnes, 74 per cent of which is represented by NSLC buildings. In 2009–2010, the NSLC saw a reduction of 494 tonnes in its carbon footprint.

The NSLC will continue its effective advocacy campaigns aimed at reducing the harmful behaviour that can result from the misuse of beverage alcohol. Keeping beverage alcohol out of the hands of minors is a valuable service the NSLC provides to communities across the province. The NSLC "WE ID" program requires that the NSLC ask for age verification for anyone who looks to be under 30 years of age.

The NSLC's Sustainability Report analyzes the NSLC's environmental and corporate social responsibility efforts. It outlines the NSLC's commitments in the communities it operates, the environmental impact of the business, the economic sustainability of the organization, and the social responsibility aspects of the NSLC's legislated mandate. The Sustainability Report sets the business targets in these areas over the next few years and reports on progress against those targets.

### ***NSLC Customers***

The key to any successful retail organization is to know its customers, their needs and expectations, how to meet these needs, and 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:

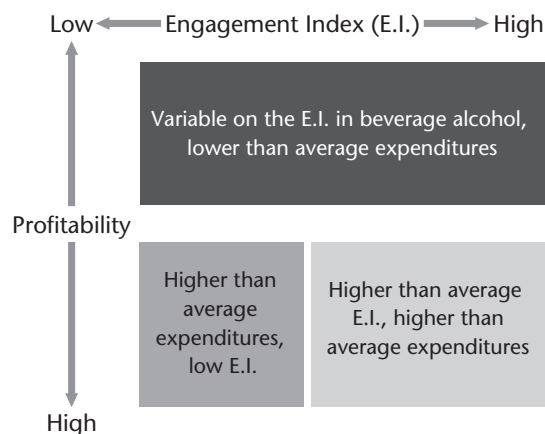
- **Celebration:** For holidays and special occasions
- **Socializing:** With groups of friends, relatives or colleagues
- **Simple Pleasures:** At home or after a meal
- **Weekenders:** Socializing on weekends

- **Savouring:** Before and during the mealtime 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 new NSLC customer segmentation approach combines customers' expenditures on beverage alcohol with their propensity to experiment in and across categories. This two-dimensional approach to segmenting customers reveals that in each category there are three distinct customer segments.

### Conceptual Framework for NSLC Customer Segmentation



The chart above summarizes the NSLC's approach to segmenting the market. The top block depicts the portion of the market

whose expenditures at the NSLC are well below average. This group does run the full engagement scale with regard to their interest in product variety and trial of beverage alcohol. This segment typically comprises half of the customers who are active in any given category. The customers represented by the bottom left block spend higher than average amounts on beverage alcohol but are less interested than the bottom right segment when it comes to their desire to change what they buy and discover new items.

Customers represented by the bottom right block are like those in the bottom left portion in that both spend more than average on beverage alcohol. However, they are less likely to say that a particular category is their favourite. What really distinguishes the bottom right group from the bottom left group is their interest in product variety and trial. The bottom right segment exhibits a combination of attitudes and behaviours that makes them significantly more engaged in discovery of brands and types of beverage alcohol.

### Responsible Retailing

Since 1930, the public policy choice by most governments in Canada in how to regulate the sale of beverage alcohol has been to control the sale of beverage alcohol for societal reasons through government entities. The reasons for this choice include the fact that this product, if abused, can have negative health impacts on individuals and



society. 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 government-controlled enterprises. In fact, this is also the chosen policy route in 19 U.S. states. By doing this, government institutions use the retail price to moderate the harm to society from beverage alcohol (low prices increase consumption and the health impacts according to most studies, including the World Health Organization). This is a delicate balance, since excessive use of price can send consumers to the black market to obtain the product. Balancing these aspects of pricing is a challenge. There are many advocates on the health-promotion side that believe NSLC pricing is still too low and some customers who believe that NSLC pricing is too high.

In 2009, the World Health Organization (WHO) proposed a strategy suggesting a wide range of measures to tackle excessive drinking. The draft WHO document offers to governments several policy options on pricing identified as effective ways to tackle harmful use of beverage alcohol. Minimum pricing, or social reference pricing, is one of the options.

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. 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.

In Nova Scotia, the public policy choice by governments 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. The NSLC provides the public policy balance between those who would want uncontrolled customer access in order to maximize profit and those who wish an outright reduction or ban on the products availability.

## 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 Distribution Centre 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 customers. The impact of technology has been critical in providing exceptional logistics execution to improve efficiencies and satisfy customer needs.

### ***Retail***

The NSLC is the single largest retail banner in the province. It operates 106 retail stores, ranging from the Wine Baskets located in grocery stores to the high-end Port of Wines store and 53 agency stores. The NSLC is constantly examining market retail patterns to ensure that the store network is best designed to meet the evolving needs of the customer: 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 employees. The NSLC employs over 1,500 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 18 per cent of NSLC net sales revenue. The NSLC wholesale market involves supplying

beverage alcohol products to the province's 2070 licensed premises (restaurants, bars, lounges, and hotels licensed to sell beverage alcohol), along with private wine and specialty stores and NSLC agency stores.

Of the NSLC's wholesale net sales revenue, licensees make up 58 per cent, NSLC agency stores 35 per cent, and private wine and specialty stores (PWSS) 6 per cent.

### ***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

- business development and customer insights
- strategic planning
- financial management
- merchandising and marketing
- development of human resource needs
- the development and maintenance of NSLC facilities and the store network
- the use of information technology
- communications

### ***Regulatory***

The NSLC is responsible for aspects of the Liquor Control Act that relate to regulating the activities of manufacturers and their representatives and non-consumer (commercial/industrial/institutional)



uses of alcohol. Every manufacturer or its agent must be authorized by the NSLC to represent 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 farmers 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 strategic area of the business.

## Strategic Plan

In 2010, the NSLC released its second Five-Year Strategic Plan 2010–2015, identifying business objectives through 2015 and outlining the customer promise.

The NSLC's Customer Promise is to develop customer experiences across integrated 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 first strategic plan was:

***“From a Place to Buy . . .  
to a Place to Shop”***

The theme of the new Five-Year Strategic Plan 2010–2015 is to continue the journey:

***“From a Place to Shop  
to a Personal Experience”***

The NSLC has identified five strategic pillars to guide its operations during the period of the Five-Year Strategic Plan 2010–2015:

- **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 five-year 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's Five-Year Strategic Plan 2010–2015. What follows are the highlights of this year's business priorities.

## Priorities for 2011–2012

### *Stewardship*

To deliver the stewardship entrusted to the NSLC in relation to the Liquor Control Act.

#### 2011–2012 Priorities

- Produce and deliver a licensee guide in conjunction with the Alcohol and Gaming Division.
- Establish a working committee of the board to review board performance and align activities with generally accepted best practices, while improving information flow and effectiveness for the board and its committees.

### *Customer*

To deliver exceptional customer experiences and personalized services in dynamic retail environments.

#### 2011–2012 Priorities

- Improve marketing integration and support of category plans to effectively engage customers.
- Create a “front of cash” merchandising and communication strategy.
- Implement a digitally enabled customer insight and engagement program.
- Evolve the customer experience by improving the effectiveness and efficiency of retail signage.
- Personalize the overall wine experience for communities of like-minded customers through increased education and engagement.
- Complete Year 2 of the Retail Network Plan.
- Further evolve and enhance the beer customer's in-store shopping experience.
- Align and evolve the store assortment plan to satisfy community needs.

### *Reputation*

To be a leading corporate citizen building strategic community engagements.

#### 2011–2012 Priorities

- Achieve the Sustainability Plan targets:
  - Reduction in energy consumption
  - Taking 10 per cent of the NSLC store network to Zero Waste
  - Expansion of strategic community partnerships



- Implement Phase 2 of the Responsible Retailing program aimed at increasing public awareness of the “WE ID” program.

### ***People***

To have an enthusiastic and engaged team recognized for excellence.

#### **2011–2012 Priorities**

- Roll-out the new NSLC internal website to enhance employee communication and engagement.
- Implement and refine corporate-wide performance measurement and reporting.
- Enhance the retail employee orientation program with a stronger Loss Prevention component.
- Strengthen safety management and planning capabilities by refining safety performance metrics and corporate reporting.
- Develop and launch the NSLC Peer to Peer recognition program.
- Improve the efficiency and effectiveness of our retail hiring processes through the use of online recruitment and applicant tracking tools.

### ***Financial***

To contribute \$1.2 billion to our shareholder over five years and \$275 million in 2015 while employing sustainable business practices.

#### **2011–2012 Priorities**

- Review the efficiency and effectiveness of organizational processes and controls, and implement solutions to improve the control framework.
- Review and improve the NSLC strategic reporting and business analytics.
- Enhance Enterprise Risk Management practices.
- Further improve the efficiency and effectiveness of key internal processes.
- Create enhanced gross margin opportunities.
- Use the new NSLC customer segment approach to identify category growth opportunities.
- Install SAP version 6.0
- Explore regional beverage alcohol development opportunities with other jurisdictions that focus on improved operational efficiency and increased profit potential.

## **Strategic Enablers**

There are important strategic enablers that allow the NSLC to deliver on its 2011–2012 priorities in support of the five-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, the 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.

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 SAP, the core technology that runs the business; 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 2011–2012. 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 the future, the NSLC's store enhancements that are funded by the NSLC will have to meet the ROI-hurdle rate model for capital expenditures set by the executive

team. The NSLC will continue to focus on store network changes with grocery partners whenever the opportunity is available.

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 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 2011–2012, 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 website project focused on improved communication, operational efficiency, and a new collaborative work process for employees.

### ***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, employee 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 complements life's occasions, and those special times we share together." 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 employee 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 five-year strategic plan.

The corporate business planning process analyzes the business as it currently stands and provides a blueprint for reaching the goals set out in the new five-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 five-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 is anything that affects 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 have a negative impact on 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.

NSLC 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 affect 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 Services 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 affect the organization's 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 team 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 NSLC will refresh its ERM process this year with the goal of enhancing current practices and improving reporting and monitoring.

## ***Economic Risk***

The NSLC has taken steps to ensure that it mitigates the risks posed by the global economy as much as possible.

NSLC's performance has been a testament to the changes in business strategy that focused on the customer experience, 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 affecting Canada has been more severe in other parts of Canada than in Nova Scotia. 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 have an impact on NSLC sales and overall profitability.

Before the most recent global recession, 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. Over the past several years, the NSLC has exceeded its financial targets and delivered even more profit to Nova Scotians than it had committed to.

Looking ahead, the economic picture is far from certain. A key risk factor influencing future economic conditions is the Nova Scotia declining and aging population base. The chart below illustrates the likely demographic shifts that will occur in Nova Scotia during the five years of the NSLC's Five-Year Strategic Plan 2010–2015. The potential reduction of population under 55 years of age combined with the growth of those over 55 will mean major changes in consumption patterns for Nova Scotians. These changes will affect all NSLC product categories, putting increased pressure on beer and spirits and contributing growth potential in the wine category. This shift will make continued top-line growth at the levels experienced over the past 10 years for the NSLC difficult to maintain.



***Nova Scotia Population Projection by Age***

	2006	2010	Change 2006–10	2015	Change 2010–15
Age					
All Ages	938,010	937,150	(860)	926,331	(10,819)
0–18	199,110	184,587	(14,523)	170,132	(14,455)
19–24	74,234	74,249	15	66,768	(7,481)
25–34	113,941	111,085	(2,856)	110,800	(285)
35–44	142,143	124,876	(17,267)	114,825	(10,050)
45–54	150,731	156,746	6,015	142,458	(14,288)
55–64	120,098	134,083	13,985	143,774	9,690
65–74	73,053	82,785	9,732	103,689	20,904
75–84	46,068	47,759	1,691	51,173	3,414
85+	18,632	20,980	2,348	22,712	1,732

Source: Statistics Canada 91-520-SCB, Nova Scotia Department of Finance

As the NSLC enters the second year of its five-year strategic plan, it faces a stable yet uncertain economic environment. The NSLC's plan for 2011–2012 is based on prudent estimates of growth. NSLC's budget assumptions take into account the uncertain economic conditions it now faces. Its revenue and profitability estimates are robust and realistic, given these prudent assumptions.



## Performance Measurements

The NSLC will meet or exceed the following key financial performance measurements for the organization:

### Net Income (millions)

Actual 2006-07	Actual 2007-08	Actual 2008-09	Actual 2009-10	Forecast 2010-11	Budget 2011-12	5-Year CAGR
\$188.2	\$198.7	\$212.6	\$219.4	\$221.5	\$228.1	3.92%

### Net Sales (millions)

Actual 2006-07	Actual 2007-08	Actual 2008-09	Actual 2009-10	Forecast 2010-11	Budget 2011-12	5-Year CAGR
\$504.7	\$530.6	\$559.5	\$579.4	\$581.3	\$599.1	3.49%

### Operating Expense Ratio (including depreciation)

Actual 2006-07	Actual 2007-08	Actual 2008-09	Actual 2009-10	Forecast 2010-11	Budget 2011-12	5-Year CAGR
14.7%	15.4%	15.3%	15.3%	15.8%	16.2%	5.47%

### Operation Expense Ratio (excluding depreciation)

Actual 2006-07	Actual 2007-08	Actual 2008-09	Actual 2009-10	Forecast 2010-11	Budget 2011-12	5-Year CAGR
13.7%	14.0%	13.7%	13.7%	13.9%	14.0%	3.89%



# Budget Context

## Financial Plan

	Actual 2007-08 \$	Actual 2008-09 \$	Actual 2009-10 \$	Forecast 2010-11 \$	Sales %	Budget 2011-12	Change %
Spirits	153,513,558	160,878,622	162,626,486	161,926,183		164,419,846	
Wine	97,095,979	104,476,332	109,000,240	115,311,244		122,114,608	
Beer	263,737,652	276,188,679	289,325,204	286,074,834		293,312,527	
Ready-to-drink	21,958,794	23,899,411	25,052,820	24,932,647		25,680,627	
Non-liquor	109,955	183,477	161,100	126,519		190,000	
<b>Total Gross Sales</b>	<b>536,415,938</b>	<b>565,626,519</b>	<b>586,165,850</b>	<b>588,371,427</b>	<b>101.22</b>	<b>605,717,608</b>	<b>2.9</b>
Less: Discounts	5,863,669	6,111,955	6,724,575	7,067,508	1.22	6,662,894	
<b>Net Sales</b>	<b>530,552,269</b>	<b>559,514,564</b>	<b>579,441,275</b>	<b>581,303,920</b>	<b>100.00</b>	<b>599,054,714</b>	
Cost of Sales	250,065,446	261,364,917	271,175,017	268,177,476	46.13	274,232,067	
<b>Gross Profit</b>	<b>280,486,823</b>	<b>298,149,647</b>	<b>308,266,258</b>	<b>313,126,444</b>	<b>53.87</b>	<b>324,822,647</b>	
Less: Store Operating Exp.	48,844,827	49,085,992	51,397,404	51,384,247	8.84	53,509,221	
<b>Gross Operating Profit</b>	<b>231,641,996</b>	<b>249,063,656</b>	<b>256,868,854</b>	<b>261,742,197</b>	<b>45.03</b>	<b>271,313,426</b>	
Less: Supply Chain	5,994,062	4,760,762	5,144,354	5,985,381	1.03	6,284,025	
Corporate Services	19,686,367	21,479,351	20,912,977	21,348,183	3.67	23,070,405	
Other Expenses	5,594,455	6,000,520	6,289,763	6,507,566	1.12	6,428,928	
Add: Other Revenue	5,630,063	4,521,749	4,321,872	4,437,987	0.76	5,434,302	
<b>Total Expenses (excl. stores)</b>	<b>25,644,821</b>	<b>27,718,884</b>	<b>28,025,222</b>	<b>29,403,143</b>	<b>5.06</b>	<b>30,349,056</b>	
<b>Op. Income before Depr.</b>	<b>205,997,175</b>	<b>221,344,771</b>	<b>228,843,632</b>	<b>232,339,054</b>	<b>39.97</b>	<b>240,964,370</b>	
Less: Depreciation	7,325,729	8,731,567	9,481,453	10,883,278	1.87	12,898,762	
<b>Income from Operations</b>	<b>198,671,446</b>	<b>212,613,204</b>	<b>219,362,179</b>	<b>221,455,776</b>	<b>38.10</b>	<b>228,065,608</b>	<b>3.0</b>
Total Expenses (not depr'n)	74,489,648	76,804,876	79,422,626	80,787,390	13.90	83,858,277	
Total Expenses	81,815,377	85,536,443	88,904,079	91,670,668	15.77	96,757,039	
<b>Volume (hectolitres)</b>							
					Change %		Change %
Spirits	51,940	52,650	52,079	51,618	-0.9	51,463	-0.3
Wine	77,800	81,150	83,576	85,467	2.3	88,886	4.0
Beer	651,990	657,120	667,581	657,026	-1.6	655,055	-0.3
Ready-to-drink	32,080	33,430	35,352	34,929	-1.2	35,977	3.0
Total	813,820	824,370	838,587	829,041	-1.1	831,381	0.4





# **Crown Corporation**

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

### FOR THE FISCAL YEAR 2011–2012

#### Nova Scotia Municipal Finance Corporation *Business Plan 2011–2012*

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# Message from the Minister and the Chair

As Minister of Service Nova Scotia and Municipal Relations, I am the minister responsible for the Nova Scotia Municipal Finance Corporation (NSMFC). The NSMFC is a Crown corporation of the Province of Nova Scotia. It 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 health authorities. 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 NSMFC is forecasting to have more than \$756 million in debentures outstanding at March 31, 2011. New debenture issues in 2011–2012 are estimated to be in the range of \$137 million, which will be balanced against debenture retirements of \$97 million.

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. Last October, a new board of directors was appointed. The new board includes an additional director who is appointed on the recommendation of the Association of Municipal Administrators of Nova Scotia. This role provides municipalities with greater representation on the NSMFC board. Four full-time staff members of the corporation are supported through staff and resources from the provincial Departments of Finance, Justice, and Service Nova Scotia and Municipal Relations.

In January 2011 the NSMFC conducted a survey of its clients, seeking feedback to determine if 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 it supported the direction that the NSMFC is moving toward 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 John MacDonell  
Minister

Kevin Malloy, CA  
Chair



## Mission

***To provide capital infrastructure financing to 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 contributes to the Service Nova Scotia and Municipal Relations departmental priorities in building 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 also made to finance streets, buildings, recreation services, and the purchase and development of land. All these components contribute to safer and healthier communities in Nova Scotia. 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 fiscal stability in Nova Scotia municipalities.

## Planning Context

The NSMFC faces a number of challenges and opportunities in meeting its strategic goals in the upcoming year:

### ***1. Ensuring access to capital markets and the financial and administrative ability to meet municipal government demand for capital infrastructure funding***

#### **Challenge:**

- Capital markets have been unsettled during the past year, and this condition is expected to continue during the current year, which may pose challenges for municipal debt issuers.
- Municipal issuers may very well experience deteriorating financial conditions over the upcoming year.

#### **Opportunity:**

- The NSMFC continues to be able to borrow under the Province of Nova Scotia's provincial guarantee, which provides greater borrowing predictability and stability.

### ***2. Maintaining current knowledge of developments in municipal government capital finance***

#### **Challenge:**

- As a small organization it is challenging to develop, maintain, and demonstrate expertise in municipal government.



**Opportunity:**

- With the return of a full-time Chief Executive Officer, the NSMFC has greater capacity to focus on developing its programs and services.

**3. Maintaining financial self-sufficiency**

**Challenge:**

- The NSMFC must remain economically viable in both the short and long term. This includes matching assets and liabilities to both amount and maturity; maintaining banking arrangements and credit facilities, credit risk, adequate reserves; and the ability to manage administration expenses within its budget.

**Opportunity:**

- The NSMFC remains stable, as it has for over 30 years. In addition, no client of the NSMFC has ever defaulted on a loan, which enables the NSMFC to remain stable and continue providing loans to its clients.

**4 Identifying client needs and responding to them**

**Challenge:**

- Municipalities in Nova Scotia have challenges in planning and financing their long-term capital infrastructure needs.

**Opportunity:**

- Opportunities exist to assist municipal governments in Nova Scotia with long-term capital planning and financing options.
- Opportunities also exist 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.

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 municipal and departmental priorities in the area of infrastructure objectives, which contribute to the creation of economic opportunities and 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 appealing 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, as well as support for infrastructure, economic, and community priorities:

- To provide capital infrastructure financing to our clients at the lowest available cost, within acceptable risk parameters, and to meet their particular debt structure and timing needs
- To ensure access to capital markets through sound 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

- 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.

## ***2. Ensuring access to capital markets***

- Ensure that appropriate processes are 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.

# **Core Business Areas**

## ***1. Providing flexible financing options at the lowest available cost***

- Provide financing for clients' approved funding requirements by using pooled debenture issues and short-term loans.

## ***3. Helping build financial management and knowledge***

- Partner with municipal clients, Service Nova Scotia and Municipal Relations, and the Association of Municipal Administrators of Nova Scotia on the topic of capital planning and finance.



- Develop programs and services geared toward developing and enhancing our clients' knowledge of capital planning and financing.
- 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.
- The corporation will offer short-term financing for municipalities to fund cash flow requirements between the completion of capital projects and the issuance of debentures.
- NSMFC will facilitate and participate in loans to municipalities from the Federation of Canadian Municipalities Green Fund, where funding is available at below-market rates for projects meeting established criteria.

## Priorities for 2011–2012

The following details the actions, products, and services that the NSMFC intends to carry out in order to fulfill the corporation's mission and to meet its strategic goals.

### ***1. Providing capital financing at the lowest available cost***

- NSMFC will provide low-cost financing by issuing pooled debentures for the approved amount required to meet municipal borrowing requirements and lending a similar amount to our clients. In 2011–2012, the new debenture issuances are expected to be in the \$137 million range, which is balanced against retirements of existing debentures of approximately \$97 million.
- Pooling of capital requirements allows the NSMFC to access capital markets and achieve pricing based on the Province of Nova Scotia credit spreads.

### ***2. Ensuring access to capital markets***

- Obtain verification of credit worthiness from Service Nova Scotia and Municipal Relations (for municipal borrowers) prior to settling the parameters for pooled issues.
- Match the amount, term, and timing of NSMFC debentures and loans to municipalities.
- Manage the NSMFC's financial resources (budget and reserves) as per policies established by the corporation's board of directors.
- Adhere to generally accepted accounting practices for the valuation of financial instruments.

### ***3. Helping build financial management and knowledge***

- Sponsor training workshops aimed at enhancing the overall knowledge of

municipal finance and budgeting for municipal staff and councillors.

- Offer training designed to promote effective and efficient financial management.
- Promote the municipal use of the Debt Affordability Model, and provide technical support for municipal administrators. The Debt Affordability Model is a tool that helps municipalities determine how much debt is too much debt to carry. The model can also be used by municipalities for multi-year budgeting and forecasting and for analyzing revenue and expenditure options.
- Conduct research and analysis of what municipalities require to increase clients' infrastructure borrowing capacity, and develop and tailor our programs and services accordingly.
- 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 build capacity by involving other civil servants in the operation of the NSMFC 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 Administrative Budget Expenditures*

	Budget 2010–11 (\$ 000)	Forecast 2010–11 (\$ 000)	Budget 2011–12 (\$ 000)
Total program expenses—(gross current)	439.3	472.6	521.0
Net program expenses— (net of recoveries)*	0.0	0.0	0.0
Salaries and benefits	253.7	298.1	352.0
Funded staff (gross FTEs)	3	4	4

\* 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, 2010 (audited)*****Assets**

Current assets	(\$)
Cash and cash equivalents	6,362,635
Accrued interest receivable	10,938,412
Other receivables	10,805
Principal due within one year on loans to units	90,876,542
Long-term assets	
Loans to units beyond one year	637,451,675
<b>Total Assets</b>	<b>745,640,069</b>

**Liabilities and Equity**

Current liabilities	
Accounts payable	70,874
Accrued interest payable	10,933,171
Principal due within one year on debenture debt	90,882,065
Employee obligations	38,917
Long-term debt	
Debentures payable beyond one year	637,417,773
<b>Equity</b>	
Reserve Fund	6,297,296
<b>Total liabilities and equity</b>	<b>745,640,069</b>

***Statement of Revenue, Expenses, and Reserve Fund  
Year ended March 31, 2010 (audited)***

<b>Revenue</b>	<b>(\$)</b>
Interest on loans to units	35,195,535
Interest on short-term investments	20,864
Debenture expense recoveries and reserve fees	821,024
Sales of services	0
<b>Total revenue</b>	<b>36,037,423</b>
<b>Expenses</b>	
Interest on debenture debt and short-term loans	35,194,405
Debenture issue expense	365,034
Administrative expense	334,864
<b>Total expenses</b>	<b>35,894,303</b>
<b>Net revenue</b>	<b>143,120</b>
 Reserve fund, beginning of year	 6,154,176
 Reserve fund, end of year	 6,297,296

# Outcomes and Performance Measures

## Core Business Area 1 Providing Capital Financing at the Lowest Available Cost

Outcome	Measure	Data (2011 survey results form % baseline data)	Target 2011-12	Target 2012-13	Strategies to Achieve Target
Provision of 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	70%	75%	80%	Monitor alignment of debenture issues with the construction completion schedule and capital budgeting process Improve application process by working with clients to ensure quick processing of debenture documents
	Percentage of clients agreeing that the debenture terms and structure are flexible enough to meet their needs	85%	90%	95%	Promote short-term financing program Work with clients on financing options (payments and terms) Communicate financing options more effectively (e.g., through the website and consultations) Communicate NSMFC rates and products more effectively with clients (e.g., through the AMA list server and consultations)
	Quality of credit loans	Procedures ensure creditworthiness of loans	Regular review of loan procedures	Regular review of loan procedures	Maintain quality of portfolio
	Pricing received from lead managers in relationship to the Province of Nova Scotia's cost of funds	Provincial guarantee allows the NSMFC to price off the Province of Nova Scotia spread	Maintain access to the provincial guarantee	Maintain access to the provincial guarantee	Promote profile of NSMFC credit quality to maintain a strong relationship with government to ensure its support of the provincial guarantee



## Core Business Area 2 Ensuring Access to Capital Markets

Outcome	Measure	Data	Target 2011–12	Target 2012–13	Strategies to Achieve Target
Ensure that a sustainable source of funding is available from clients to ensure the operational viability of the corporation	Client default rate (Default is defined as failing to make a principle or interest payment within five days of the due date)	0%	0%	0%	Ensure that all loans are creditworthy Promote the Debt Affordability Model Play a more active role in the creditworthiness procedure (Temporary Borrowing Resolutions) Monitor loan payment process
	Matching assets and liabilities Matching of aggregate amounts, terms, and timing of debentures and loans	Assets 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



### Core Business Area 3 *Helping Build Financial Management Knowledge*

Outcome	Measure	Data	Target 2011–12	Target 2012–13	Strategies to Achieve Target
NSMFC client use of the Debt Affordability Model	Percentage of municipal clients that are using the Debt Affordability Model	25% (2011 survey results)	30%	35%	Work with clients to help them implement the Debt Affordability Model Tailor Debt Affordability Model to better suit the needs of clients
NSMFC client use of the Financial Management Best Practices	Percentage of municipal clients that are using the Financial Management Best Practices	13% (2011 survey results)	15%	20%	Work with clients to help them implement best practices of their choice
Increased overall municipal finance knowledge among municipalities	Attendance at NSMFC sponsored Municipal Finance Workshops	75% (workshop attendees 2010–2011)	80%	90%	Promote the workshops more effectively to municipal staff and Council members Maintain the no-fee structure to attend the workshop
Increased knowledge and uptake of NSMFC programs and services	Number of avenues used to promote programs and services effectively	AMA list server Mail Website	Update or add 2 avenues	Update or add 2 avenues	Update and revitalize website Develop web-based programs, such as webinars Produce more promotional materials on a regular basis (e.g., pamphlets, brochures) Obtain greater exposure to municipal councils to promote programs and services





# **Crown Corporation**

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

### FOR THE FISCAL YEAR 2011–2012

#### Nova Scotia Power Finance Corporation *Business Plan 2011–2012*

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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.***

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## 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 2010–2011

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 NSPI in case of default of NSPC debt repayment. The final guaranteed note matures February 26, 2031.

## Priorities for 2011–2012

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, \$1,440,290,000 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, 2010, was \$700,000,000 denominated in Canadian dollars (CAD) and \$300,000,000 denominated in US dollars (USD); defeased assets as at March 31, 2010, had principal values in

excess of these amounts, with market values of CAD1,035,803,000 and USD405,346,000, thus rendering the guaranteed debt fully defeased. Adequacy of defeasance assets are certified by auditing firm of Deloitte & Touche.







# **Crown Corporation**

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

### FOR THE FISCAL YEAR 2011–2012

Sydney Steel Corporation  
***Business Plan 2011–2012***

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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, 2012.

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 fiscal 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 Inc. Sysco will remain active only to deal with residual issues arising from historic operations.

## Priorities for 2011–2012

The plan for Sysco during the 2011–2012 fiscal year is to continue to wind up activities and have the corporation remain dormant.

With the finalization of a new industrial water supply at Grand Lake, 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	Forecast	Budget
	2010–11	2010–11	2011–12
	(\$ 000)	(\$ 000)	(\$ 000)
<b>Revenue</b>			
Contribution from the province	8,553	6,758	5,703
Gain on sale of assets	0	528	1,025
Interest income, miscellaneous revenue	0	3	5
<b>Total revenue</b>	<b>8,553</b>	<b>7,289</b>	<b>6,733</b>
<b>Expenses</b>			
Other remediation activities	370	296	100
Consulting	800	675	750
Funding to NSLI for remediation activities	7,383	5,185	4,878
<b>Total expenses</b>	<b>8,553</b>	<b>6,786</b>	<b>5,728</b>
<b>Net income</b>	<b>0</b>	<b>503</b>	<b>1,005</b>
 FTEs	 —	 —	 —



# **Crown Corporation**

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

### FOR THE FISCAL YEAR 2011–2012

#### Trade Centre Limited

***Business Plan 2011–2012***

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## Message from the CEO and Board Chair

On behalf of Trade Centre Limited, we are pleased to present the 2011–2012 business plan outlining our priority areas of focus for the year. This plan sets a clear direction for our core business and service areas in order to support us in continuing to fulfill our mandate to create economic and community benefit by bringing people together in Halifax and Nova Scotia.

Hosting major events, meetings, and conventions will help to sustain a diversified and prosperous provincial economy. Through strategic activities that align with *jobsHere*, Nova Scotia's economic growth strategy, our team will ensure that we attract the meetings, conventions, entertainment, and sporting events that will create new opportunities for Nova Scotia. Our long-term vision is to position Halifax and Nova Scotia as Canada's East Coast event destination on the global stage. Our activities in 2011–2012 will contribute to evolving the areas of our business that will enhance our position as a leading events destination.

The new convention centre will be a critical area of focus. This strategic investment will allow Nova Scotia to move forward aggressively and remain competitive in the global meetings and conventions industry. As the development of the new convention centre proceeds we will concentrate on aggressive new business development in the international and national markets while also shifting our attention to internal planning and operational considerations for a new facility.

The major events landscape in Nova Scotia, Canada, and around the world continues to change. Our major event activity will focus on short- and long-term opportunities that will capitalize on our reputation for hosting excellence and ensure a sustainable approach to major event attraction to our facilities, our capital city, and our province. Events Nova Scotia will continue to build a province-wide network that will strengthen Nova Scotia's event attraction and hosting capabilities. This includes outreach to and partnerships with government and community organizations interested in building Nova Scotia's event economy.

To date, we have merely scratched the surface of Nova Scotia's potential to be a leading event destination. Through a combination of strong partnerships and the infrastructure to meet the needs of our customers, we will continue to emerge as an international event host. Our team of professionals is energized by the transformation of our business and looks forward to contributing to the growth of our province and our communities.

Yours truly,

Scott Ferguson  
President and CEO

Gordon Gillis  
Chair, TCL Board of Directors



## Mission

***Trade Centre Limited creates economic and community benefits by bringing people together in Halifax and Nova Scotia.***

## Planning Context

Trade Centre Limited (TCL) is focused on increasing economic value through attracting and hosting meetings; conventions; and entertainment, cultural, and sporting events. Events are a catalyst for economic and community development across Nova Scotia—providing platforms 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 to the sustainable growth of Nova Scotia's economy.

Nova Scotia has been affected by the recent recession, the strongest worldwide downturn since the Great Depression. As part of the business cycle, that is considered a short-term effect, but there also have been long-term trends affecting Nova Scotia. Globalization and the rate of technological change have had an impact on every aspect of life in Nova Scotia. The world around us has been changing at a faster

pace than we have. Nova Scotia's economic growth has been the lowest of any province in Canada over the last 20 years. Our GDP growth has dropped consistently in the past three decades shifting from 2.9 per cent in the 1980s to 1.7 per cent in the 2000s. Nova Scotia's labour productivity was third lowest in Canada in 2008. As well, we are entering a period when demographic changes mean the population of work force age will start to shrink. There is recognition that it is time to do things differently.

In November 2010 the Nova Scotia government released *jobsHere*, the plan to grow our economy. The strategy has three interrelated priorities: learning the right skills for good jobs; growing the economy through innovation; and helping businesses be more competitive globally.

Through the *jobsHere* plan, strategies that have been and are being implemented will improve innovation across all sectors and focus on strategic investments in innovation and productivity, increasing our competitiveness and creating higher-value jobs. High-value sectors will be identified, providing Nova Scotia opportunities to connect with partners abroad, and also attract new partners to our province. *jobsHere* outlines specific activities that will assist in developing a highly trained workforce and create secure jobs and a secure future for Nova Scotians. *jobsHere* is a clear commitment from the Nova Scotia government to doing things differently in order to make life better for Nova Scotians.



The plan supports all areas of the province and all sectors of the economy, meaning we all have a part to play.

*jobsHere* will create new opportunities for strategic partnerships and collaborations in the major events, meetings, and conventions sector in Nova Scotia. Nova Scotia, Halifax, and TCL have a proud history of generating significant economic activity through the impacts associated with event activity across the province. With that in mind, TCL will continue to identify opportunities for further alignment with our partners. This means continuing with an inclusive approach to work with our partners and focus on attracting and leveraging high profile sporting, cultural, and business events, conferences, and trade and consumer shows that reflect our collective strengths. Creating more opportunities for knowledge building and skills development within our team and amongst our partners will remain a key determinant of our overall success. 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—supporting both the achievement of our long-term sustainability and our contribution toward a strong, diversified, province-wide economy.

Despite worldwide economic challenges, the events and meetings sector is 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. Strategic investments in key infrastructure and fostering the ongoing development of event hosting expertise and leadership are critical to future success. Competition in the local and regional market also continues to increase with other Atlantic Canadian cities positioning themselves to compete in the events industry. Event cancellations and 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 meetings and major events industry remains strong overall. Areas of significant opportunity are the international congress (meetings and conventions) market, which is an emerging sector in Canada, and growing our share of the national meetings and conventions market. Improved air access into Halifax from major international and national hubs means easier accessibility for our customers. Our location in the northeast of North America and our strong reputation for high-calibre research and innovation provide us with an immense opportunity to position ourselves as an attractive event location from a global perspective. Attracting an increasing

number of national and international events that align with key Nova Scotia sectors and priorities will contribute to ongoing efforts to grow the province's economy.

A strategic investment in a new convention centre in downtown Halifax will ensure that we are properly positioned to compete with other large North American destinations to attract new events, dollars, jobs, and opportunities to Nova Scotia. Combining larger and more flexible space with a prime location in the heart of Halifax's downtown core, this new facility will allow us to meet the growing needs of our clients and delegates while reaffirming our position as Atlantic Canada's leading event destination amid emerging national and regional competition. Keeping Nova Scotia in the running for major events and conferences is key to securing our future prosperity.

TCL's Office Tower and Exhibition Park are aged facilities and it is anticipated that routine maintenance expenditures for these properties will need to continue in order to ensure reliable operations.

Changing labour market conditions, including competitive market forces and a resulting 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 a 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 and transition planning for critical roles and create more opportunities for our people to learn the valued skills to move our organization forward. Furthermore, constraints on wage increases and market positioning make it difficult for TCL to offer competitive compensation packages compared to the private sector, placing further pressures on our ability to continue to attract and retain the best and brightest.

Maximizing economic and community benefits is the core of TCL's focus. We look forward to a productive 2011–2012 that contributes to the continued evolution of a dynamic regional city that attracts investment and people from around the world. By attracting events that enrich our diverse culture and support the expansion of our creative economy and those that bring world-class knowledge and ideas that will help us innovate and develop capacities, we will ensure major events, meetings, and conventions add value to the lives of all Nova Scotians.



## Strategic Goals

As part of our five-year strategic plan (2009–2013), TCL set out four interconnected and interdependent strategic priorities 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 2011–2012 fiscal year. These goals and priorities allow for a strengthened focus on coordinating our efforts with Economic and Rural Development and Tourism and

our partner agencies in order to contribute to the successful delivery of the *jobsHere* plan to grow the economy.

## Core Business Areas

### **World Trade & Convention Centre (WTCC):**

The WTCC consists of approximately 50,000 square feet of convention and meeting space, hosting between 550 and 600 events annually and attracting approximately 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. The anticipated opening of the new convention centre in downtown Halifax in 2015 will ensure we are able to meet the growing expectations of meeting and convention planners worldwide and strengthen Nova Scotia's position in an increasingly competitive environment.

**Halifax Metro Centre (HMC):** Located in the heart of downtown, HMC is the largest multipurpose facility in Atlantic Canada, serving as the region's premier venue for major entertainment and sporting events and the nucleus of major event activity in Nova Scotia. Specifically designed for versatility and to accommodate some of the largest

events, HMC offers a diverse lineup of event experiences; it remains a critical piece of major event infrastructure and is essential to event success in Nova Scotia. Owned by the Halifax Regional Municipality (HRM) and operated by TCL, it is an integrated part of the WTCC complex and complements TCL's diverse event service offering, specifically Ticket Atlantic and TCL Major Events.

**TCL Major Events:** Working in collaboration with other TCL business units, strategic partners in the community, and with municipal, provincial, and federal governments, TCL Major Events continues to build capacity and 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 in communities across Nova Scotia and incremental increases in the hosting capacity of our province. This drives further positive economic impacts, which translate into further growth of the industry, the city, and the province in general.

Events Nova Scotia, a coordinated pan-provincial initiative to attract major events, is managed by TCL Major events. Events Nova Scotia will continue its mandate to bring events to our province by strengthening Nova Scotia's province-wide event marketing, attraction, and hosting skills and capabilities. In addition, we are encouraged by the progress of discussions to finalize an integrated approach with HRM to provide

services to attract major events from sectors including sport, culture, and entertainment.

**Ticket Atlantic:** Through the services of Ticket Atlantic, we provide Atlantic Canadians access to a wide variety of events, from world-renowned concerts to outdoor festivals to international sporting events. Selling tickets for up to 400 events annually, Ticket Atlantic is our region's primary ticket provider. In addition, Ticket Atlantic supports TCL's common objective around event attraction and high-level event delivery.

**World Trade Centre Atlantic Canada (WTCAC):** WTCAC's worldwide network forms an important component of TCL's event attraction strategy. The WTCAC offers a unique connection to an international audience as a member of the World Trade Center Association. With over 750,000 companies and 300 world trade centers in 85 countries, this global network of organizations and facilities merges government, business, and events to create new connections and business opportunities. Through its relationships and expertise, WTCAC also supports Atlantic Canadian businesses looking to be more globally competitive through training and education, search services, business introductions, and market familiarization.

**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 location and





attention to customer service continues to motivate our clients to choose this facility over similar venues in the region. It attracts close to 150,000 attendees to events hosted throughout the year.

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, 2010, the economic contribution was \$73.9 million in direct visitor expenditures. These direct visitor expenditures resulted in \$43.8 million in incremental visitor expenditures, 1,392 person years of employment and \$4.9 million in provincial government tax revenues.

## Priorities for 2011–2012

### ***Growth/Financial***

#### **Broaden Our Scope**

In 2011–2012 we will focus on broadening our scope in order to enhance our ability to proactively address opportunities that drive focused growth in key areas of our business.

We will focus our growth activities around the following core areas:

- International and national meetings and conventions attraction
- Halifax major events growth and integration

- Regional growth of Ticket Atlantic
- Regional growth of World Trade Centre Atlantic Canada

TCL's long-term vision is to position Halifax and Nova Scotia as Canada's East Coast event destination on the global stage. In 2011–2012, we will ensure that our focus remains on further enhancing our position as a leading events destination, which in turn will create further investment in Nova Scotia's economy. This approach to sustainable event strategies and activities will ultimately result in increased event hosting that attracts talent, investment and ideas from around the world.

Should the development of the new convention centre proceed, we will focus our attention on achieving success by generating new business. Our sales activity will be sharply focused on securing international and national market business for the new convention centre. Working closely with local and national partners, we will position Halifax and Nova Scotia as a premier meetings and conventions destination.

A specific focus of international sales activity for the new convention centre will be to leverage those sectors of strength in Nova Scotia that align with government priorities and areas of investment. We will be strategic and coordinated in the identification of future business with sector-specific research performed in conjunction with Economic and Rural Development and Tourism and our partner agencies. Focusing on event-rich sectors, including



health and life sciences, financial services, energy, agriculture, natural resources, transportation, and the environment, this sector research will identify international event prospects that link to the three pillars of the *jobsHere* growth strategy of learning, innovation, and competing globally.

A formal partnership will be created with HRM for TCL to become the key service provider for major event marketing, attraction, and acquisition for Halifax. Building on the city's reputation as a world-class event destination, this partnership will result in an integrated and sustainable approach to major event attraction.

With a focus on enhancing our core offerings, there will be continued emphasis on establishing Ticket Atlantic as the significant regional ticketing solution in Atlantic Canada. A diverse mix of customers, venues, events, promoters and an expanded regional presence will be indicative of our success.

As a key component of TCL event attraction initiatives, WTCAC will leverage its international network of partners to generate qualified and strategic event leads for the new convention centre. Developing our Atlantic-wide network of partners and resources, WTCAC will also continue to focus on increasing the number of funded Atlantic Canada business development activities, resulting in revenue growth. WTCAC will work with business to grow the economy by providing the tools and expertise to support local and regional companies in building

long-term business connections through the WTCAC network of partners, helping them to be more competitive globally. This includes the continued delivery of the FITTskills program, which focuses on those new to exporting and importing as well as ensuring that companies are equipped with the valued skills to prepare for foreign market entry. With partners from across Atlantic Canada and around the world, WTCAC will support Economic and Rural Development and Tourism in defining and mining the sectors of Nova Scotia's economy that present opportunities for growth through the *jobsHere* plan.

#### **Ensure Focused and Effective Delivery of Our Core Business**

Core to TCL's continued success is its ability to identify, attract, and host a broad range of event activity. 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 core business activities on the following areas:

- TCL event and revenue generation
- Best-practice process and technology development

TCL event and revenue generation is essential to our continued reputational and financial sustainability. Significant attention will be placed on ensuring that we continue to be an industry leader in providing premier entertainment, sporting, and cultural events



in Atlantic Canada. We will focus on events that will contribute to a vibrant and dynamic capital city that in turn generates enthusiasm, opportunities, and pride across the province. With a dedicated cross-functional team that aligns our resources, we will protect Halifax's leadership position with a focus on identifying short- and long-term opportunities ideal for our venues, city, and province.

Operational efficiency and technology ensure we are able to offer the seamless delivery of business activity, event activity, and the customer experience. Planning for and adopting processes and technology in the critical areas of our business will allow for efficiency improvements and the consistent execution of high-quality event experiences.

As an outcome of our focused growth strategies, we will target to maximize the direct economic impact created by the events hosted throughout our family of properties. TCL measures direct economic impacts annually. While our events, conferences, and trade shows draw significant attendance from within the province, they also result in new visitors from across the country and around the world. The economic spinoff generated 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 combined revenue projection for 2011–2012 is \$20 million (TCL \$13 million; HMC \$7 million). This will result in an operating loss,

approaching breakeven before depreciation, of \$268,700 for TCL and operating income before capital improvements for Halifax Metro Centre of \$610,000.

## ***Community Partnerships***

### **Developing Community Partnerships for Mutual Benefit**

Our ongoing collaboration with our partners locally, nationally, and internationally allows us to identify new opportunities and share our resources to efficiently create and deliver economic and community benefits to Nova Scotia. Closely aligning our activities with those of Economic and Rural Development and Tourism and its family of agencies will be the centrepiece of our community partnership development. This close alignment of our efforts with key partners and stakeholders will enhance our event attraction activity and ensure it is contributing to the *jobsHere* plan to grow the economy.

We will focus our partnership and community activities on the following areas:

- Alignment with industry, community, corporate, and government partners
- Province-wide major event collaboration

Ongoing collaboration with communities, key industry sectors, business, and government is a key focus for the upcoming year. We will work closely with partners to support the delivery of our business objectives while also ensuring that we

leverage the full benefits of major events, meetings, and conventions to create further economic and community return.

The new convention centre has the potential to become a showpiece of our community, representing our collective pride and culture and building Halifax's national and international reputation. We will continue to work with the diverse group of stakeholders who have a shared interest in the success of this project, including local and regional industry partners and clients, to identify opportunities for future programming and community partnerships. These relationships will also create a platform through which we can support learning the right skills for good jobs. Beginning to work with local post-secondary institutions, we will start developing internship programs to train, attract, and retain youth interested in the tourism, hospitality, and culinary fields. We will use the enthusiasm for the new convention centre to start to develop new partnerships that result in knowledge building, closer integration with research and development organizations, and programming that emphasizes the role of meetings and conventions in building a stronger, more innovative economy.

Events Nova Scotia continues to focus on identifying and attracting major events that take full advantage of the strengths that exist in communities across the province while ensuring that event hosting knowledge, expertise, and capacity

are growing in Nova Scotia. During the upcoming year, Events Nova Scotia will continue to deliver core services, including economic impact measurement and bid development, to support communities looking to attract major events. Through a provincial capacity-building program, we will support organizations and jurisdictions interested in acquiring the skills and knowledge needed to deliver sustainable and successful major events that contribute to our economy. We will also focus on developing a long-term, sustainable strategy for major events in Nova Scotia. Working in collaboration with key government and community partners, Events Nova Scotia will ensure a shared commitment to the future of major event attraction for the province.

Corporate partners and anchor tenants are integral to our ability to provide quality event experiences to our customers and contribute toward our financial sustainability. During the upcoming year, we will focus on regional and national corporate development activities that grow our longstanding partnerships while identifying new opportunities to generate corporate partnerships and revenue.

### **Responsible Governance**

TCL recognizes the importance of responsible operational and governance processes as well as clear and accountable measurement of business impacts. We strive to manage our resources in a sustainable manner, with a focus on continuous improvement.



We will focus our governance activities on enhancing our processes in the following areas:

- Tracking, measurement, and reporting of impacts
- Enterprise risk management

The value of TCL to the local, provincial, and regional economy is best understood by analyzing economic and community impacts 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.

Following the development of an enterprise risk-management approach in 2010–2011, we will move forward with a process that is inclusive of our board of directors and government partners to finalize an organizational risk-management framework and policy. The result will be clearly defined organizational risks and mutually agreed-to mitigation strategies that will ensure the organization is accountable to the communities we serve.

In partnership with Economic and Rural Development and Tourism and HRM we will also initiate a review of the operating agreement for the Halifax Metro Centre.

## ***Infrastructure***

### **Infrastructure and Capacity Building Necessary to Facilitate Attraction and Hosting of Major Events**

Continuing into the next years, a critical area of focus that is essential to achieving sustained growth is the new convention centre. With the procurement process for the new convention centre complete, TCL will continue to play an advisory role to ensure that the facility allows for seamless event delivery and is in keeping with industry best practices. As the operator of the new convention centre, our internal focus will be preliminary planning to ensure operational efficiency and effectiveness that result in a successful transition to future operations.

Seeking the continuous improvement of our event delivery, we will focus on enhancing our processes and operations to ensure efficient and sustainable event delivery practices throughout our family of facilities.

## ***People***

### **Creating a Culture That Facilitates Achievement and Engagement**

With events as our focus, TCL is about people bringing people together. Our team of people is the driving force of our business and is essential to our success.

Investing in the development of our people by creating more opportunities for them to learn the valued skills and expertise that will push our business forward will support the continued growth of TCL. We will promote

proactive planning and mentoring that ensures we are cultivating leaders capable of delivering in a positive and progressive manner. We will focus on inspiring, guiding, and enabling people to act and deliver, focusing on practices that result in the fulfillment of our vision and mission while preparing our team for the evolution of our business. Over the next year, we will focus on revisiting foundational tools to ensure our team continues on a path toward excellence.

## 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.

Human resources' role 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 challenging time for human resources in any organization that really cares about its employees and customers. TCL must engage in workplace practices that will facilitate attraction, retention, and development of our people through an intentional, positive,

and progressive way of operating. This has become even more important as we prepare for 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 equipping TCL with the right people capable of delivering exceptional events and continuing to drive economic impact for our city and province.

Priority over the next years will be placed on employee leadership and career development, recognizing and celebrating achievement, creating a high performance work culture, and improving employee accountability and effectiveness.

## Budget Context

Consistent with ongoing efforts by the Province of Nova Scotia to grow Nova Scotia's economy while living within our means, TCL continues to focus on ensuring the professional and effective delivery of events that result in economic impact while doing our part to support government efforts to reduce spending. During the 2011–2012 budgeting process, efforts have been made to identify cost efficiencies where they are available while maintaining the areas of our business that support a high level of service delivery.





TCL faces unique challenges from a budget context in that our facilities were created as economic generators for the Province of Nova Scotia and HRM, not as profit centres. Our focus is on attracting events that create the most significant economic return for our province. We continue to make efforts to minimize operating losses through revenue growth and operational efficiency with a long-term financial performance goal 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 current World Trade and Convention Centre coupled with the operations and maintenance of an aged facility at Exhibition Park.

To remain competitive, TCL must invest in the business for the long term and lever its unique and interconnected operating model. 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 in an increasingly competitive environment, which will negatively affect our contribution to the economic well-being of Nova Scotia. 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 areas that depend on the number of attendees and the level of spending per attendee, which in turn drives the organization's revenues and expenses. We generate economic benefits for HRM and the Province of Nova Scotia by bringing people together from within the region and around the world. Attracting attendees from outside Nova Scotia generates the most significant economic benefits for the province, as these attendees represent new money being spent in our economy. TCL's level of economic return to the province far exceeds the revenue shortfall and the need for support from the province.

Forecasted financial results for the current fiscal year (2010–2011) are an operating profit before depreciation of \$4.45 million for TCL and a profit after depreciation of \$2.9 million. TCL's forecasted 2010–2011 financial results reflect a one-time grant from Economic and Rural Development and Tourism to TCL to address accumulated operating losses dating to fiscal 2004–2005. Forecasted financial results for the current fiscal year (2010–2011) for Halifax Metro Centre are an operating income before capital expenditures of \$276,500. In 2011–2012, TCL expects to generate revenues of approximately \$13 million. In 2011–2012, Halifax Metro Centre expects to generate revenues of approximately \$7 million, resulting in operating income before capital improvements of \$610,000.

# Operations Budget Summaries 2011–2012

*for the year ended March 31*

	Estimate 2010–11 (\$)	Forecast 2010–11 (\$)	Estimate 2011–12 (\$)
<b>Revenues</b>	<b>15,034,400</b>	<b>18,616,600</b>	<b>13,064,300</b>
<b>Expenses</b>			
Event operations	6,808,800	6,243,000	5,660,500
Salaries and benefits	3,635,000	3,388,000	3,301,500
General operations	3,835,000	3,550,000	3,387,000
Taxes and insurance	1,025,000	980,000	984,000
Total expenses	15,303,800	14,161,000	13,333,000
<b>Income (loss) before depreciation</b>	<b>(269,400)</b>	<b>\$4,455,600</b>	<b>(268,700)</b>
Depreciation	(1,600,000)	(1,525,000)	(1,525,000)
<b>Income (loss) for the year</b>	<b>(1,869,400)</b>	<b>\$2,930,600</b>	<b>(1,793,700)</b>

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 2010–11 is per TCL's 2011 internal financial statements.

Note 3: Forecast for 2010–11 reflects one-time grant from Economic and Rural Development and Tourism to Trade Centre Limited to address accumulated operating losses dating to fiscal 2004–05.



# Outcomes and Performance Measures

## Growth/Financial

*Create greater economic impacts by growing current business and developing new markets*

Outcome	Measure	Baseline Data	Target 2011-12	Trends/ Ultimate Target	Strategies to Achieve Target
Achieve total combined operating revenues of: \$20 million TCL: \$13 million HMC: \$7 million	Year-end audited financial statements	Actual 2009-10: TCL: \$13.6 million HMC: \$7.17 million Forecast 2010-11: TCL: \$13.8 million HMC: \$6.34 million	Meet budgeted 2011-12 revenues	Stabilized combined revenues of over \$20 million annually	Continuing partnership development, sales, and marketing investment in international and national markets  Regional growth strategies for WTCAC and Ticket Atlantic  Generate \$3 million in HMC corporate revenues
Achieve combined normalized income before depreciation and capital improvements of \$341,300 TCL: \$(268,700) HMC: \$610,000	Year-end audited financial statements	Actual 2009-2010 TCL: \$(622,558) HMC: \$532,335 Forecast 2010-11: TCL: \$(344,400) HMC: \$276,500	Meet budgeted financial operating targets	Approaching breakeven position for TCL	Ensure core revenue streams are protected and optimized  Continue with operational efficiency and process improvement
Position Halifax and Nova Scotia as a premier meetings and conventions destination, resulting in a strong mix of business from national and international markets for the new convention centre	Results against stated future business projections for new convention centre Sector profiles completed for six identified sectors for international market Economic impact measures	Customer research ICCA data base and Convention Centres of Canada inputs	Establish foundational sales and marketing tools, activities, and processes First phase of sector research program in progress	A long-term approach to successfully achieve business projections for new convention centre	Implement year 1 of sales plan for new convention centre  Implement year 1 of marketing communications plan for new convention centre  In collaboration with government partners, implement phase 1 of sector research program for international market



## Growth/Financial

### Create greater economic impacts by growing current business and developing new markets

Outcome	Measure	Baseline Data	Target 2011–12	Trends/ Ultimate Target	Strategies to Achieve Target
Integrated Halifax major events initiative	Multi-year partnership with HRM	HRM Major Events Hosting Strategy	Service agreement in place Business plan developed with full support of HRM	Strengthened event leadership position for Halifax resulting in enhanced province-wide event impacts and event offerings	Implement year 1 of business plan, including resourcing and governance Strategic collaboration with HRM and PNS on event opportunities
Long-term strategic plan to ensure a wide range of sport, culture, and entertainment events for TCL properties	Secure 750 events for TCL facilities for 2011–12, with a total attendance target of 730,000 Secure one major event for fiscal 2012–13	Current and future market assessment	Short- and long-term prospects identified Cross-departmental action team established Integrated event marketing program developed	Overall growth of events hosted in and attracted to Halifax and Nova Scotia	Research, mine, and develop new event business on a 10-year cycle

### Community Partnerships *Build committed, inclusive partnerships within the community, government, and business*

Outcome	Measure	Baseline Data	Target 2011–12	Trends/ Ultimate Target	Strategies to Achieve Target
Long-term major event strategy for Nova Scotia	<p>Outcomes as defined in multi-year Events Nova Scotia plan:</p> <ul style="list-style-type: none"> <li>• Support three major event bids at least one of which will be outside HRM</li> <li>• Deliver provincial training/capacity-building program</li> <li>• Economic impact evaluation performed for at least six major events throughout Nova Scotia</li> </ul>	Events Nova Scotia Year 1 and 2 evaluation	Development of five-year strategic major events plan	Strengthen our provincial capacity to attract and host major events	<p>Implement collaborative approach to develop five-year strategic major events plan</p> <p>Evolution of Events Nova Scotia capacity building program</p> <p>Implementation of measurement criteria</p>
Accountability to the communities we serve	Enterprise risk management (ERM) strategy in place	Industry best practices	ERM framework and policy developed	Strategic, effective risk mitigation	<p>Analyze and evaluate principal risks</p> <p>Engagement of board of directors and government partners</p>

## 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	Baseline Data	Target 2011–12	Trends/ Ultimate Target	Strategies to Achieve Target
Operational readiness approach for new convention centre	Operational readiness project charter, resources, and key milestones documented	Industry standards and best practices	Cross-functional project team established Best-practice review initiated Preliminary internal process review initiated	TCL operationally prepared to operate new convention centre with high level of success	Establish multi-year operational readiness framework

## People

*Through innovative management approaches, attract, develop, and engage a committed and motivated team of professionals to support future growth of the events industry in Nova Scotia*

Outcome	Measure	Baseline Data	Target 2011–12	Trends/ Ultimate Target	Strategies to Achieve Target
Create a culture that facilitates achievement and engagement	Employee feedback demonstrates employee engagement	Business and 5-year plans	Succession planning approach defined Alignment of performance appraisal program with career planning	A positive, progressive, high-performance team equipped to support organizational growth	Implementation of succession and career planning for critical roles Review and refinement of performance appraisal process





# **Crown Corporation**

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

### FOR THE FISCAL YEAR 2011–2012

## Waterfront Development Corporation Limited

***Business Plan 2011–2012***

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# Message from the Minister

The waterfront and its strategic advantage will help us to strengthen our global connections and create a dynamic regional city that attracts investment and people from around the world.

In order to maximize the potential of the waterfront, we have expanded the mandate of Waterfront Development Corporation Limited (WDCL) to develop a comprehensive vision and development plan for the waterfront lands around the harbour. We need to know what opportunities exist, and how to take advantage of them, so we can harness the full strength of this important economic driver for Nova Scotia.

The *jobsHere* strategy sets clear direction for this work. Whether it is building the enabling foundation for our Gateway Initiative, the Public Spaces Recycling program, the Blue Flag program for marine services or sea-level rise adaptation planning, WDCL provides a showcase for Nova Scotian private and public sector innovations that achieve both environmental and economic goals.

In addition to this focused economic strategy work, WDCL is taking the time and effort to incorporate great public-realm improvements into all its projects. These wharves, boardwalks, trails, art, and playgrounds not only add value for Nova Scotian waterfront businesses, they create the type of communities in HRM and Lunenburg that are compelling for the high-knowledge workers our economy needs to attract and retain.

Halifax Harbour is a national asset, the heart of our capital city, and an economic driver for the province. Lunenburg is a UNESCO World Heritage site. Nova Scotians must ensure we leverage their full potential.

The Honourable Percy Paris

Minister of Economic and Rural Development and Tourism





# Message from the Chair and President

The *jobsHere* strategy sets a clear direction for every Crown corporation and department involved in economic development, and WDCL's plan is shaped to achieve the goals the province has set.

The WDCL goals strive to maximize this geographic potential. Over the coming years we will complete the transformation of the Halifax waterfront from a series of neglected and abandoned properties to a unified collection of waterfront businesses and public institutions. We will also set in motion the plans that will accomplish the waterfront redevelopments in Bedford, Dartmouth, and Lunenburg that will align their land use with the goals of the community and the economic strategies of Nova Scotia.

The vision for the waterfronts is becoming all the more real. Some of the strongest Nova Scotian businesses are located on the waterfront, the downtown district of Halifax is becoming increasingly more vibrant, and people from around the world are coming to Nova Scotia in part because of the attraction of our waterfronts. We need to match these strengths to new opportunities and set in motion a plan that enables Nova Scotia to maximize the potential of this waterfront.

This leads naturally to the responsibility this government has given to us: create a comprehensive vision and development plan for the lands around Halifax Harbour. Our waterfronts present Nova Scotia with the ability to connect to global opportunities; our transportation and communication links stem from our strategic location on the Atlantic coast, and our cities and communities are among the most attractive places to live in the world.

Our board and our management are dedicated to this vision of creating a waterfront that is distinguished as one of the world's greatest places to live and do business. This plan and these goals will drive us to do just that.

Colin MacLean  
President and CEO

John Holm  
Chair



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## Mission

***Waterfront Development Corporation Limited harnesses the waterfront's potential by developing ideas, infrastructure, and experiences that stimulate business investment and community pride.***

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## 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 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.

## Planning Context

Nova Scotia has been affected by the recent recession, the strongest worldwide downturn since the Great Depression. As part of the business cycle, that is considered a short-term effect, but there also have been long-term trends affecting Nova Scotia. Globalization and the rate of technological change have had an impact on every



aspect of life in Nova Scotia. The world around us has been changing at a faster pace than we have. Nova Scotia's economic growth has been the lowest of any province in Canada over the past 20 years. Our GDP growth has dropped consistently in the past three decades, shifting from 2.9 per cent in the 1980s to 1.7 per cent in the 2000s. Nova Scotia's labour productivity was third lowest in Canada in 2008. As well, we are entering a period when demographic changes mean the population of work force age will start to shrink. There is recognition that it is time to do things differently.

In November 2010 the Nova Scotia government released *jobsHere*, the plan to grow our economy. The strategy has three interrelated priorities: learning the right skills for good jobs, growing the economy through innovation, and helping businesses be more competitive globally.

Through the *jobsHere* plan, strategies have been and are being implemented that will improve innovation across all sectors and focus on strategic investments in innovation and productivity, increasing our competitiveness and creating higher-value jobs. High-value sectors will be identified, providing Nova Scotia opportunities to connect with partners abroad and also attract new partners to our province. *jobsHere* outlines specific activities that will assist in developing a highly trained workforce and create secure jobs and a secure future for Nova Scotians. *jobsHere* is a clear commitment from the Nova Scotia

government to doing things differently in order to make life better for Nova Scotians. The plan supports all areas of the province and all sectors of the economy, meaning we all have a part to play.

### ***Overall Economy***

The economic forecasts for Nova Scotia signal growth of 1.5–2.0 per cent for 2011, 2.0 per cent for 2012 (APEC, BMO, TD, CIBC). Halifax has dropped from last year's number-one ranking in CIBC's Metropolitan Economic Activity Index, but the economic activity of our major centre continues in a positive trend upward.

### ***Real Estate Market***

Mortgage rates remain low, with predictions of increases in 2011. Canada Mortgage and Housing Corporation forecasts a good residential market, based on continued migration to Halifax and rising rental rates. CB Richard Ellis Canada highlights the ongoing challenges with the office market in downtown Halifax; nevertheless, there are a number of proposed office developments coming forward in anticipation of the potential moves by major Halifax downtown businesses, as well as the ongoing efforts of the province to attract financial services businesses to Nova Scotia. The hotel market is dominated by plans for the new convention centre, with any other developments awaiting the next steps on this major project.

## Tourism

The past year witnessed slight growth in domestic tourism—an increase of 2 per cent from 2009. The American market decreased by 2 per cent, and overseas visitation decreased by 7 per cent. The cruise ship activity in Halifax continues to grow, with increases in both visiting vessels and cruise visitors in 2010. Cruise passenger count was up 14.7 per cent over 2009, with 261,216 passengers. The Halifax boardwalk businesses that have a tourism focus reported a profitable year.

## Marine and Ocean Sector

The Department of Economic and Rural Development and Tourism has launched a bold new strategy with *jobsHere*. It is channelling new focus for this sector of our economy and aligning this work with the goals and successes of the Gateway Initiative. There is a good reason for this focus and energy:

“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% of provincial GDP. When spin-off impacts in the broader economy are considered, the GDP impact rises to just under \$5.0 billion, 15.5% of the Nova Scotia economy.”

Source: *Economic Impact of the Nova Scotia Ocean Sector 2002–2006*, March 2009

In response to this potential, the province established a Gateway Secretariat and made it a key component of the *jobsHere* strategy. A large part of this work will centre on strategies that enhance our marine industrial capacity, which is rebounding after the recession:

- Steady growth in cargo volumes in 2010
- Containerized cargo (in TEUs) grew 26 per cent over 2009
- Containerized growth attributed to new shipping lines, more frequent port calls and more cargo with existing lines, plus expanded trade routes
- Breakbulk cargo (e.g., machinery, metals, forest products) up 23.7 per cent over 2009
- Bulk cargo (e.g., oil imports and gypsum exports) down 14.0 per cent over 2009
- Ro/Ro cargo (e.g., automobiles) up 15.9 per cent over 2009

Source: Halifax Port Authority

## Conclusions

The waterfront enjoys distinct advantages in all the identified sectors. Thus, while the overall analysis suggests moderate economic growth, we believe the opportunities for the waterfront plans are slightly better:

- Residential and office development site on waterfront properties are more attractive, generally, than inland sites.



- The Halifax waterfront and Lunenburg are the two most visited tourism sites in Nova Scotia.
- Halifax Harbour is a strategic advantage on a global stage for the future growth of our marine and ocean industry and businesses.

The WDCL business plan establishes goals that give Nova Scotia the ability to seize potential opportunities in each of these sectors.

## 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

- Public spaces and amenities development
- Waterfront Tenant Marketing Fund

## Core Business Areas and Priorities

The Department of Economic and Rural Development and Tourism is working with us to establish a common business plan. It will help us to align our work with the department and other Crown corporations and allow us to leverage their strengths to achieve larger goals than we might achieve alone.

Throughout our core business areas and priorities we have set specific goals and initiatives that will make tangible contributions to the *jobsHere* priorities, specifically,

- Learning the right skills for the job:
  - Visiting Tall Ships program
  - Waterfront Entrepreneurship program
  - Student Ambassador program
- Growing the economy through innovation:
  - Environmental stewardship initiatives
  - Real estate development projects
  - Festival program
- Helping businesses be more competitive globally:
  - Comprehensive vision and development plan

### 1. Waterfront Planning

The corporation engages with public and private sector organizations, as well as with the public at large, in planning projects that contribute to the development of world-class waterfronts.

- **Mill Cove & Birch Cove Comprehensive Planning Projects:** Working in partnership with Halifax Regional Municipality to implement comprehensive development plans for two sites identified as growth areas on the shores of the Bedford Basin. Amendments to the Municipal Planning Strategies will be sought for both study areas.
- **Cunard Block Conceptual Design:** Public consultation will be held on a range of development options for a residential/commercial complex on the Halifax Harbourwalk to determine the best use for the site. WDCL will seek development approval for the preferred alternative.
- **WDC-1 Conceptual Design:** Public consultation will be held on a range of development options for a residential-commercial complex in downtown Dartmouth to determine best use for the site.





- **Children's Play Structure—Halifax Harbourwalk:** Design and build a new children's play area on the Halifax Harbourwalk.
- **Public Art:** Launch an enhanced multi-year public art program to add interest and vibrancy to the public outdoor spaces managed by WDCL.
- **Dartmouth Cove Comprehensive Plan:** In partnership with Halifax Regional Municipality, WDCL will be undertaking a comprehensive redevelopment design process to create a vision for the redevelopment potential of the Dartmouth Cove Lands.
- **Communications Plan:** The further development of practices and vehicles to engage our shareholder, the public, and our partners in the planning processes.
- **Dockside Mixed Use Development:** Provident Development is commencing construction of a mixed-use residential/commercial development on the last parcel of Phase One of the Bedford waterfront. WDCL and Provident are partnering in the development of extensive open space areas as part of the complex.
- **Dartmouth Harbourwalk:** Completion 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:** In partnership with the Halifax Regional Municipality initiating improvement to the public realm in these important corridors connecting the waterfront and the downtown.

## **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. that creates public and commercial uses in the Core Business District.
- **Marine Infrastructure:** Continuation of a multi-year capital upgrade plan for public marine infrastructure.
- **Cunard Inlet Small Vessel Launch:** Design and construction of a small vessel launch facility at the South Battery marina to provide an access point for the public to utilize the harbour for non-motorized small vessel recreation.
- **South Battery Pier:** Design and construction of public space upgrades to the former heliport on the Halifax



Harbourwalk to facilitate events, performance spaces, and the inclusion of public art.

- **Cable Wharf Pile Repairs:** Reinforcement and repairs to the timber pile structure in support of the redevelopment of the structure.
- **Harbourwalk Wayfinding and Interpretive Signage:** Upgrades to the signage programs to improve the visitor experience.
- **Performance Space Upgrades:** Improvements and upgrades to performance spaces along the Halifax Harbourwalk to support events and programming.
- **Visitor Information Center:** WDCL will be undertaking upgrades to the Visitor Information Centre on the Halifax Harbourwalk to expand the provision of public washrooms to the visiting public.

### 3. Property Management

WDCL owns and manages a waterfront real estate portfolio 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, thus 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.

As the most visited destination in Nova Scotia, averaging 10,000 people on a typical high-season day, we strive to be *Clean, Green, and Safe*.

#### Clean

- **Maintenance Program:** Our program is more efficient and better resourced this year. Through agreements with partners with whom we share common goals last year, we have established improved maintenance standards on the Halifax waterfront. We expect positive outcomes this year with negotiations around shared maintenance of Dartmouth and Bedford waterfronts.

#### Green

- **Sustainable Procurement Policy:** Adoption of a sustainable procurement policy means our purchases consider footprint and lifecycle costing in our evaluation for best value.
- **Green Choices:** We continue to leverage our properties to provide incentives for green choices. Our work with CarShare, bicycle racks and bicycle sharing, and



our developing marina program in Bedford and Halifax (and Lunenburg) mean you can travel to the waterfront by land or by sea.

- **Trail Development:** With high-quality trail development in Bedford and Dartmouth, as well as boardwalk enhancement projects in Halifax, our trail maintenance program will be increasingly targeted, ensuring that we continue to provide the best place to walk or run seaside. We will continue to support and align ourselves with community events that encourage exercise and activity on our waterfronts.
- **Public Spaces Recycling Project:** A pilot project, in partnership with Nestle Canada, RRFB, and HRM, has supported our efforts to be a leader in green property management, the results of which, including an impressive 95 per cent diversion rate for recyclables, ensure that our proposed developments are always analyzed through a green filter. We will install additional multi-stream garbage receptacles that make recycling easier for the public and substantially reduce operating costs, including greater efficiency for pick up.
- **Green Technology:** We are actively exploring ways to incorporate such technology in our operations, such as LED lighting and the Blue Flag Marina designation that signify a commitment to rigorous green standards for our marina program.

## **Safe**

- **Security Program:** We conducted a security audit, which provided recommendations for improvement, and we have been working hard to implement these recommendations. Our security program includes adding light, with additional fixtures to be implemented in a substantial deployment that spans our waterfronts, enhanced landscaping to ensure such corners are lit, a new security contract with knowledgeable guards present 24 hours/day and the installation of security cameras along our waterfronts.
- **Marine Security:** We will continue to work with Transport Canada in the area of marine security to ensure that security measures implemented on the property are MTSR compliant and deployed in the best interest of public safety, vessel safety, and enjoyment of the property.

## **Risk Management**

An Infrastructure Management program was developed this year, which provides an important tool for effectively managing risk going forward as it relates to infrastructure. A new Purchasing Policy was adopted and is aligned with a new system of internal controls, instilling stakeholder confidence. The Occupational Health and Safety program has been formalized and ongoing training opportunities identified so staff are prepared for the situations they encounter. As

we work through these important pieces, the objective is 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.

### **Lunenburg**

Substantial progress has been made this year in the implementation of the business plan. The sale of two non-strategic property parcels, the lease of Smith and Rhuland Shipyard to the Bluenose II project, and the lease of the Zwicker Building to the Fisheries Museum each mark a substantial step forward in achieving a sustainable working waterfront.

This year will see substantial repairs to the public access at Zwicker Wharf and the Clearwater Wharf, creating new opportunities for the public to access the waterfront and ensuring that commercial operations can continue to thrive on the working waterfront.

Project planning is underway with partners for two upcoming projects. The first is a public access and interpretation project, creating infrastructure at three locations along the waterfront that will tell the Lunenburg working waterfront story and allow the public access to the water's edge without disruption to the commercial activity along the waterfront. The second is a public marina facility that will provide short-term berthing opportunities with servicing in the heart of the working

waterfront, driving tourism potential and local boating traffic to the waterfront from the waterside as well as contributing to the growth of recreational boating on Nova Scotia's beautiful south shore.

A shift in the nature of the portfolio, from significant vacancy to mostly occupied, has driven a change in our security program, with improved technology, partner monitoring, and substantially reduced cost of delivery. This shift, which is dramatic in the context of five years of work on the waterfront portfolio, more broadly necessitates a business plan review early this year to review and update objectives and establish direction for ongoing stewardship. The working waterfront legacy, a story of seafaring tradition meets modern commercial activity, and industry meets recreation, culminates here in the centre of this important UNESCO World Heritage Site, so it is important we get it right.

### **4. Business Development**

Revenue generated through WDCL operations is directly reinvested in waterfront improvements and makes a direct and positive contribution to the province's bottom line. We will continue to work to improve existing business lines and to develop new opportunities to drive revenues—for waterfront reinvestment and for return to private-sector businesses that drive our economy and the maritime experience.



Last year we built substantial infrastructure—from kiosks to floating docks—creating an environment ripe for activity. This year, while we continue infrastructure development, our focus is centred on promoting the space for business development, for signature events, and for public enjoyment. The result is a waterfront animated with high-quality experiences.

### **Commercial Tenancies**

Our work has stimulated substantial private-sector investment and has helped develop entrepreneurial ideas into signature, successful businesses. In addition to creating high-quality waterfront experiences, our tenants have invested substantially in the waterfront, and their success is a mark of ours. We continue to work with high-quality operators to create new opportunities for waterfront business.

This past year saw the addition of new vending operations creating a high-quality mix of products and experiences. This year will see several exciting new tenancies that complement existing waterfront businesses and create broad experiences. Substantial public-space improvements will be made to further develop public seating areas and create wonderful spaces to sit seaside. Together with our tenants we will continue to work through the Waterfront Merchants' Marketing Board to create and manage a joint marketing plan. The messages that flow from this process are the voice of Nova Scotia's signature business operators,

and we are very excited that they speak together through this program.

### **Marine Services / Berthing**

Our work this year focuses on the development of a high quality, environmentally friendly marina program that reflects our high-quality infrastructure. We will increase public awareness of our marina program, in particular promoting high-quality, free daily berthing in Halifax and Bedford as well as overnight berths offered at a reasonable rate. Not only does our marina program offer another way to access the waterfronts, it also provides beautiful animation landside and an ambience that reflects our seafaring heritage and robust recreational sailing culture.

And while a vessel is berthed at one of our wharves or floating docks, we want to ensure that their stay is positive—outstanding, actually. A streamlined booking process will be implemented for visiting vessels through online booking. An information package detailing services, promoting things to see and do, and providing critical contact information will welcome vessels from near and far, whether tall ships or small ships.

In a broader context, and 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 support local and international regattas, host visiting yachts, and berth tour boat operators at our wharves, and we continue to expand

available berths. Over the past year, we have added new public floating docks at Summit Seawall and Maritime Museum. This year will see new floats at Purdy's Wharf and Mill Cove Marina as well as enhancements to existing floats.

### **Signature Event Plan**

Increasingly, the waterfront is being solicited by events of many different shapes and sizes. We have re-visioned our Signature Event strategy to fit alongside our other business lines. What this means is that our approach to events on our waterfronts shifts to proactive, from reactive, with our team actively seeking out high-quality, signature events that develop waterfront potential and fit our marketing goals. The result is a full, high-quality event program, substantial economic impact for our province, customers for our tenants, and unforgettable experiences for our guests. This work has paid off, and we are thrilled to partner with signature Halifax events such as JazzFest, for their 25th Anniversary this year, and marine-related events such as the Nova Scotia Boatbuilders Association In Water Boat Show. We are also working with old favorites, like Buskers, to help them maximize their potential and achieve a world-class-level festival. It's about partnerships and developing them to establish a high-quality year-round event program that ensures that there is always something exciting happening on the waterfront and that we are appealing to broad groups and a variety of interests.

We also continue to encourage community use of the public space. From walk-a-thons to yoga by the sea, lunchtime programs, and community fundraisers, we are working to make access to our property easier, so organizers can focus on their events rather than on complicated processes to host them.

### **Sponsorship**

We are exploring opportunities to leverage our properties to create new revenue streams through corporate sponsorship. Both our physical properties, which comprise the most visited destinations in the province, and our virtual properties—our new corporate web site at [my-waterfront.ca](http://my-waterfront.ca) and the free Wireless Waterfront infrastructure—offer tremendous real estate value.

### **Parking**

Our parking operation has undergone an important transformation. We have completed the rollout of a re-visioned parking operation, the result of which is improved access across all of our lots. The new Waterfront Access Pass provides access to all of our lots at one price 24/7. We have streamlined our service offering so that all lots offer the same variety of parking options. We have added improved technology and have improved our back end, so our systems are easier to use. We have greatly enhanced our parking kiosks, signage, and communication around parking to ensure it is easy to understand. We have responded to the community in supply option for overnight parking, year round, with the popular program "Park after Dark."





Parking lots are a transitional use of waterfront land, but they also provide an important revenue stream that is reinvested in waterfront improvements for the public's benefit. Parking operations are not glamorous, but because we operate lots, we aim to do it very well. We will undertake further enhancements to the parking machines, including easy-to-read screens. Our staff will become better trained in troubleshooting to reduce downtime. Our service mix in each lot will be managed to ensure that options are available. And we will continue to improve communication with our parkers so we can test decisions by real feedback.

## 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

1. improved access and communication regarding human resources practices to

ensure they enable a highly engaging work environment

2. improvement of performance management systems
3. action plan and investment in employee learning and development

## Marketing Strategy

Nova Scotian businesses are located on the waterfront, the downtown district of Halifax is becoming increasingly more vibrant, and people from around the world are coming to Nova Scotia in part because of the attractive development of our waterfronts. WDCL will actively market and promote the four waterfronts it oversees to encourage the right mix of development and public use of space, and the opportunities it provides to showcase Nova Scotia signature events and public services.

### ***Marketing and Communications Objectives***

1. Develop and implement a WDCL brand strategy that highlights the economic development potential of one of the world's greatest waterfronts.
2. Develop and implement a marketing strategy that creates awareness and support for the development of business opportunities on our waterfronts.

3. Develop and implement a stakeholder strategy that aligns the community and economic interests in the waterfronts.

## Budget Context

### *Financial Management*

In fiscal 2010–2011, WDCL continued its tradition of reinvesting revenues into the public spaces surrounding the waterfronts of Halifax Harbour and Lunenburg. The visible improvements include enhanced security, improved walkways, state-of-the-art waste management practices, new kiosks, expanded marina facilities, and public open spaces, to name a few. The less obvious financial investments are related to the advancement of the development planning for a number of lots.

WDCL continues to manage the transition of certain lots from their interim use as parking lots into planned developments with public spaces. This results in a decrease in the traditional revenue base. The transition period between lot closure and development completion is particularly challenging because there is an expected revenue shortfall to WDCL, as the developer's interim rent will generally not offset the previous parking revenue. As an example, the shutdown of the Salter lot on the Halifax waterfront May 31, 2010, to accommodate the developer's final construction preparation, although

temporary, creates a significant decrease in WDCL's revenue base. To mitigate these revenue pressures over time, WDCL has sought new revenue streams that will also improve the animation and enjoyment of the waterfronts. This includes new kiosks, a revamped parking strategy, and strategic partnerships with the private sector and festival organizers.

WDCL has a budgeted surplus of \$312,000 for fiscal 2011–2012. This is a smaller surplus than in 2010–2011 because of planned development preparation activity. The existing tenant will vacate the BioScience building in the spring of 2011, and the building is expected to be demolished in the fall of 2011. The costs and lost rent surrounding this property are the primary reason for a smaller year-over-year surplus. Capital spending and planning costs in 2011–2012 will be targeted at improving public access, safety, and enjoyment of the waterfronts of Halifax Harbour and Lunenburg. Planned spending includes enhanced signage and interpretation, boardwalk redevelopment, marina upgrades, performance space upgrades, and public art.

As we proceed through fiscal 2011–2012, it is anticipated that there will be greater predictability around the timing and details of our properties slated for development. The collective waterfronts owned and managed by WDCL are invaluable assets to the Nova Scotia public. We are conscious of striking



an appropriate balance between return on investment, public space/accessibility, and the economic realities facing private developers, while proceeding in a financially and environmentally sustainable manner.



**Budget 2011–2012**

	Budget 2010–11 (\$)	Forecast 2010–11 (\$)	Budget 2011–12 (\$)
<b>Revenue</b>			
Rents	1,525,000	1,537,300	1,479,000
Parking	2,171,100	2,021,900	2,250,000
Other income	422,000	359,700	365,000
Grant income*	294,400	294,400	285,000
	<b>4,412,500</b>	<b>4,213,300</b>	<b>4,379,000</b>
<b>Operating expenses</b>			
Insurance	96,000	90,900	98,400
Labour and benefits	230,000	179,900	210,000
Repairs and maintenance	404,200	345,200	310,000
Security	133,600	124,000	166,500
Utilities	122,010	100,500	124,000
Various other	247,750	376,600	422,700
	<b>1,233,560</b>	<b>1,217,100</b>	<b>1,331,600</b>
<b>Income from property</b>	<b>3,178,940</b>	<b>2,996,200</b>	<b>3,047,400</b>
<b>Program expenses</b>	<b>395,000</b>	<b>334,000</b>	<b>350,000</b>
Tall Ships revenue	—	—	—
Provincial grant*	—	—	470,000
Tall Ships expense	—	—	470,000
	—	—	—
Lunenburg revenue	248,500	314,900	290,000
Lunenburg grant*	390,000	156,000	378,000
Lunenburg expenses	638,500	470,900	668,000
	—	—	—
<b>Administration expenses</b>			
Amortization	523,440	584,000	690,000
Interest on long-term debt	6,000	10,700	25,000
Office, consulting, and general	467,900	487,800	496,400
Salaries and contracts	872,600	956,600	998,000
Staff expenses and benefits	157,000	167,500	176,000
	<b>2,026,940</b>	<b>2,206,600</b>	<b>2,385,400</b>
<b>Net surplus</b>	<b>757,000</b>	<b>455,600</b>	<b>312,000</b>

\*Total grant = \$1,133,000



## Outcomes and Performance Measures

Core Business	Outcomes	Measure	Base Year Measure	Target 2011-12	Strategies to Achieve Target
Financial	Strong financial management	Revenue for high-quality development	2010-11: \$3,396,400	\$4,379,000	Financial management strategy
Community Use of Waterfront	Increase the amount of public use	Number of visitations	60% of Nova Scotians visited *	65%	Business development priority
		Frequency	12x per visitor	15x per visitor	
Infrastructure Development	New and better uses for waterfront lands	Increase/improve developed property	275,000 sq. ft.	300,000 sq. ft.	Infrastructure Development priority
Property Management	Clean, safe, and well-maintained assets	Percentage public satisfaction	89%**	95%	Property Management priority
Waterfront Planning	Priorities for waterfront lands complete	Number of plans and projects complete	14	16	Waterfront Planning, Infrastructure Development, and Property Management priority
Business Development	New waterfront experiences	Number of new experiences (product, service and event)	1	4	Business Development priority
Business Development	Learning for Good Jobs	Number of student placements or people trained	3	6	Business Development
Property Management		Participant satisfaction	New measure	80%	Property Management

Core Business	Outcomes	Measure	Base Year Measure	Target 2011–12	Strategies to Achieve Target
Business Development	Facilitate business to be more competitive	Number of new tenants and/or expanding operations	New measure	3 (including NovaScotian Crystal expansion)	<i>Infrastructure Development</i> <i>Asset Management</i>
People	Aligned goals, learning and engagement	Goal completion	100%	100%	HR strategy
Corporate Governance	Continuous improvement and best practices	Percentage Goal completion	100%	100%	Corporate Governance strategy

\*2009 Halifax Harbour Waterfront Market Segmentation and Targeting Study (Corporate Research Associates)

\*\* 2003 Visitor and Public Opinion Study (Corporate Research Associates)

