Nova Scotia Crown Corporation Business Plans

For the fiscal year 2008–2009

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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.

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Art Gallery of Nova Scotia
Business Plan 2008–2009

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Message from the Minister of Tourism, Culture and Heritage

On behalf of the Department of Tourism, Culture and Heritage, I am pleased to present the business plan of the Art Gallery of Nova Scotia for the 2008–2009 fiscal year.

The Department of Tourism, Culture and Heritage is an active supporter and promoter of Nova Scotia's culture sector. The Art Gallery of Nova Scotia, a provincial Crown corporation, is accountable, through its Board of Governors, to the department.

The department's Culture Division has as its mission to develop and promote cultural resources and artistic expression, in partnership with and for Nova Scotians. Through its support, government recognizes the importance of our visual artists as part of our cultural community. The Art Gallery of Nova Scotia is the primary visual arts institution serving the people of Nova Scotia, from two locations—Halifax and Yarmouth.

I look forward to supporting the Art Gallery of Nova Scotia as it works towards its mission of bringing the art of the world to Nova Scotia and the art of Nova Scotia to the world.

The Honourable Bill Dooks
Minister,
Department of Tourism, Culture and Heritage

Mission

To bring the art of the world to Nova Scotia and the art of Nova Scotia to the world.

Link to the Corporate Path

(Building for Families, Building for the Future)

The Art Gallery of Nova Scotia is accumulating a substantial art collection, fulfilling audience needs in perpetuity by giving first-hand access to art objects considered to be of lasting value. AGNS, through its mentoring, teaching, and internship programs, also assists the development of emerging young professionals: educators, curators, museum professionals, as well as artists. By providing programs and learning opportunities of international calibre and renown, AGNS contributes to Nova Scotia's reputation as a vibrant community committed to artistic excellence.

The first listed priority in the Province of Nova Scotia's Corporate Path is "creating winning conditions" through globally competitive business climate, workforce, and connections. AGNS exhibition and collection programs foster global competitiveness through making the art of the world available to Nova Scotians in their home province and through raising the international profile of Nova Scotian art and artists through our travelling exhibitions and our coordination of the internationally renowned Sobey Art Award.

The third priority articulated in the corporate path ("building for individuals, families and communities") encompasses strategies designed to foster healthy, active Nova Scotians, accessible services, safe communities, and vibrant communities.

Participation in the arts, and in our particular case, the visual arts, provides necessary benefits in the development of one's overall health and wellness. Positive self-esteem, creativity, self-awareness, and discovery flourish when opportunities in the arts are provided. AGNS education and public programs directly support individuals, families, and communities through relevant and inspiring programs delivered at the gallery and in outreach partnerships with various hospitals and social agencies. The AGNS is a public institution, and these programs are accessible to all Nova Scotians and visitors alike.

Planning Context

The Art Gallery of Nova Scotia is the principal art museum of the Province of Nova Scotia and is responsible for maintaining the Crown's art collection on behalf of the people of Nova Scotia. AGNS is the largest, most significant art museum in Atlantic Canada.

The gallery is overseen by a Board of Governors, made up of dedicated volunteers who accept and hold a public trust, and 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.

The AGNS has the responsibility to acquire, maintain, conserve, research, publish, and make accessible the Crown's art collection. The principal activities of the AGNS are the acquisition, 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 in Halifax and the Western Branch in Yarmouth. The Western Branch acts as a gateway to the arts for visitors entering Nova Scotia via the Yarmouth ferries and now serves as a special event centre for the arts community and the people of the southwestern tri-county region.

Our Environment

Like other museums, the AGNS is aware of the competition for operating revenues. In vibrant communities like Halifax and Yarmouth, there is much local competition for entertainment and cultural offerings. Limited revenues and escalating costs have caused the AGNS to constantly look for ways to streamline processes and generate efficiencies in operational and programming areas. An ongoing priority is finding the right balance between fiscal responsibility and the provision of relevant, quality programs.

By continuing to support our offerings in significant numbers, the people of Nova Scotia have told us that our public programs are of value. The AGNS has seen, in recent years, a significant increase in government operational funding at the provincial level, sustained levels in revenues generated from the public, and an increase in funds generated from government and corporate sources for our exhibitions and education programs. An award of $150,000 from the Canada Council for the Arts' Supplementary Operating Funding Initiative enabled us to significantly increase our Touring Exhibitions program, allowing us to showcase AGNS-curated exhibitions across the country.

These revenue increases, combined with a tighter control over our expenditures, gave us a small operating surplus in the 2006–2007 fiscal year. We expect the same for 2007–2008 and will plan for the similar results in 2008–2009. The AGNS has made significant strides in improving financial reporting, cost control, and corporate governance, and these process improvements will continue to be enhanced in the upcoming year. A balanced budget and growth in our Endowment Fund assets position us well for the future.

As well, an important initiative will be the formulation and implementation of a comprehensive development plan that will chart the course for our fundraising efforts in the future. We are currently in the early stages in the hiring process for a development staff person to lead this effort.

One of the AGNS' biggest achievements in recent years has been our success in growing the Crown's art collection. In the past five years, some 4,000 artworks with an estimated value of $17 million dollars were acquired by the AGNS—mostly donated by various artists, institutions, and collectors across the country and beyond.

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.

At the time of writing this business plan (January 2008), two major initiatives are in the early planning stages, which will dominate our strategic action for the upcoming year:

1. Our Director and Chief Curator's contract expired in December 2007, and he has taken a position elsewhere. The Executive Committee of the board, acting in the capacity of an ad hoc search committee, is charged with finding a replacement and is considering the recommendations of the Governance and Human Resources Committee in this matter. As an associated effort, we will take this opportunity to review the organizational reporting structure to ensure that reporting lines and staffing levels are appropriate for the current direction of the gallery.
2. As mentioned above, and as outlined in our 2007–2008 business plan, our success in growing the collection has caused a space problem, which must be addressed.

The Board of Governors has issued a request for proposals for a consultant's study to review various capital expansion options and make recommendations on which way to proceed. The resulting consultant's report will be used as a starting point for the AGNS to launch a capital campaign to meet our space requirements for today and the future. This item will surely dominate our action plans for the upcoming year, and beyond.

In view of the above, new strategic initiatives will by necessity be limited in the 2008–2009 fiscal year. In many respects, it will be maintenance and steady growth of our existing offerings. One exception is our Western Branch in Yarmouth, where curatorial programming—exhibitions, education, and outreach—will significantly increase. Several staff positions are in the process of being filled at the time of writing this report. We have an outstanding facility in Nova Scotia's southwest area, and we will ensure that arts patrons in that region—and visitors to the region—will have the same opportunity to partake in our arts programs as the patrons at our main facility in Halifax.

Strategic Goals

The AGNS has several areas of longer-term direction, including the following.

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

   With financial sustainability, the AGNS will become a key driver for increasing the economic and export potential of Nova Scotia's tourism, culture, and heritage resources, in particular the visual arts.

2. **Education:** Facilitate lifelong 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 many effective and popular programs are currently being offered, the goal is to ensure that program enhancements and growth are possible, and financially self-sustainable.

3. **Governance and Accountability:** Continue in the spirit of the governance and management recommendations outlined in the 2004 KPMG report and our AGNS Strategic Plan.

   The recommendations of the KPMG report have now effectively all been implemented; however, we must ensure that the governance and accountability initiatives are being properly carried through and that changes are made to reflect emerging realities.

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

   Preservation and conservation of the Crown's art collection are ongoing priorities. A strategy for the acquisition of additional space to house our growing collection will be a major focus on the upcoming year, and beyond.

Core Business Areas

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

1. Collections and Conservation

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 AGNS also conducts conservation and restoration treatments using accepted practices of research, examination, analysis, and documentation.

2. Education and Public Programming

AGNS has a very 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, an interpretative gallery team, 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.

Outreach activities involve many new community collaborative partnerships. ArtReach, an innovative program developed in partnership with the Department of Education, continues in its second year to build on exciting links between the art gallery's programs and exhibitions, Nova Scotia schools, and the community. This initiative underscores the gallery's commitment to developing programs to reach diverse audiences and provide greater access to rural communities. Recently gifted prints from the Canada Council Art Bank collection are included in travelling ArtReach exhibitions to schools, museums, hospitals, and other community centres, complemented by educational workshops for people of all ages in their own communities. AGNS also reaches out to schools by continuing to serve as the lead partner for ArtsSmarts Nova Scotia, the provincial partner for the national ArtsSmarts program, the largest art education initiative in Canada. ArtsSmarts inspires collaboration between artists and educators to design and offer innovative projects for students that support specific curriculum goals by learning through the arts.

Other outreach programs include programming in these focus areas:

- Arts and Wellness: Extensive work with the IWK Health Centre as well as an art program for children with autism
- Resiliency and Youth: Programs with organizations such as Phoenix Youth Programs, Laing House and HomeBridge Youth Society
- Young Learners: Providing services to daycares including the availability of specially designed art resource kits distributed on loan to daycares throughout the province.

AGNS is working on documenting both the details and vision of these unique outreach programs within the context of the overall gallery mandate.

Many of the educational programs are or will be available in the Western Branch as well as in Halifax.

3. Exhibitions

In the area of exhibitions, AGNS curatorial staff support our mission of bringing the art of the world to Nova Scotia and the art of Nova Scotia to the world. In addition to our annual Sobey Art Award exhibitions, AGNS is committed to presenting a wide range of art in our exhibition programs, both in Halifax and in Yarmouth.

We are committed to building audiences for art and have a three-part strategy for doing so. The first, as stated above, is the ongoing growth of the Sobey Art Award. The second is to work to broaden our programming of more "museum" style exhibitions, exhibitions of world culture and heritage, which will be paired up with other challenging art exhibitions. 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 are seen by as many audiences as possible, and we received a significant grant from the Canada Council in

2007–2008 that enabled us to accelerate the expansion of this program (and have applied for similar funding for the 2008–2009 fiscal year). We tour every one of our contemporary Canadian projects to at least one other venue.

We are committed to assisting in maximizing the export potential of the province's resources by raising the profile of this region's art activity across the country. We are committed to developing exhibitions that examine the work of individual artists and to producing catalogues that do 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 concurrently on display in the gallery. Our objective is to be a leader in the advancement of knowledge and understanding of visual art and in fostering the careers of Canadian artists.

4. Development and Auxiliary Services

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

Priorities for 2008–2009

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 in furthering our strategic goals.

For 2008–2009, our first priority will be to fill the Director and CEO vacancy, which fits under every core business area.

Priority 1: Hire new Director and CEO

Core Business Area 1: Collections and Conservation

Priority 2: Address space/storage problem.

Priority 3: Upgrade collections database system.

Core Business Area 2: Education and Public Programming

Priority 4: Expand the educational and public programming activities at the Western Branch.

Core Business Area 3: Exhibitions

Priority 5: Expand exhibition programming at the Western Branch

Core Business Area 4: Development and Auxiliary Services

Priority 6: Balance the annual budget by ensuring that expenses are contained within the restrictions of Operating and Programming revenues. This result should be attained without compromising service delivery.

Human Resource Strategy

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

- Staff Performance Management process
- implementation of our Visitor Services initiative
- Volunteer Policy, which addresses recruitment, retention, training, scheduling, and most importantly, recognition
- increased budgets for staff professional development

Budget Context

Art Gallery of Nova Scotia Consolidated Budget, Fiscal Year 2008–2009

Please note: The AGNS has three funds—Operating (which includes the Gallery Shop and Product Development), Acquisition, and Endowment. This business plan reports on the consolidated budget for the entire organization.

	Estimate 2007–08	**Forecast 2007–08**	**Estimate 2008–09**
Operating Revenues:			
Province of Nova Scotia	$1,793,000	$1,793,000	$2,018,000
Admissions and memberships	380,000	280,000	325,000
Donations and other	232,000	123,500	247,500
Programming recoveries	935,000	992,800	1,034,500
Gallery recoveries	126,000	125,000	126,000
	3,466,000	3,314,300	3,751,000
Gallery Shop – net	30,000	36,000	50,000
Product development – net	25,000	19,000	25,000
	3,521,000	3,369,300	3,826,000
Operating Expenses:			
Salaries and benefits	1,316,000	1,252,000	1,395,000
Building operations	939,500	873,000	938,000
Capital project			154,000
Programming	1,010,500	1,089,300	1,159,000
Development and public relations	105,000	130,000	120,000
Western Branch	250,000	195,000	210,000
	3,621,000	3,539,300	3,976,000
Net Operating Income (Loss)	(100,000)	(170,000)	(150,000)
Endowment Fund—Net	100,000	145,000	150,000
Acquisition Fund—Net	—	25,000	—
Surplus	$0	$0	$0

Outcomes and Performance Measures

Priority 1: Hire a new Director and CEO

Outcome	Measure	Baseline/Target	Strategy to Achieve Target
Successful recruitment	New Director and CEO hired	Summer 2008	Employ Public Service Commission executive search service

Core Business Area 1 *Collections and Conservation*

Priority 2: Address space/storage problem

Outcome	Measure	Baseline/Target	Strategy to Achieve Target
Feasible storage solution	Storage solution option selected	Summer 2008	Ad hoc committee to review and assess consultant's proposal
Storage plan in action	Additional storage space identified	Fall 2008	Ad hoc committee to direct effort to identify and select best option

Priority 3: Upgrade collections database system

Outcome	Measure	Baseline/Target	Strategy to Achieve Target
Upgraded Collections database system	Database system selected and installed	Fall 2008	Evaluate and select system; train collections staff

Core Business Area 2 *Education and Public Programming*

Priority 4: Expand the educational and public programming activities at the Western Branch.

Outcome	Measure	Baseline/Target	Strategies to Achieve Target
Expanded educational and public programming at Western Branch	Number of participants in educational and public programs	2007–08 actual—970 participants (9 months) 2008–09 target—2,500 participants (12 months)	Hire programming staff (assistant curator) for Yarmouth

Core Business Area 3 *Exhibitions*

Priority 5: Expand exhibition programming at the Western Branch.

Outcome	Measure	Baseline/Target	Strategies to Achieve Target
Increased visits to exhibitions at Western Branch	Number of exhibition visits	2007–08 actual—2,200 visits (9 months) 2008–09 target—4,000 visits (12 months)	Hire exhibitions staff (Assistant Curator) for Yarmouth
Exhibitions curated by Western Branch	Number of WB-curated exhibitions	2007–08 actual—0 2008–09 target—1	

Core Business Area 4 *Development and Auxiliary Services*

Priority 6: Balance the annual budget.

Outcome	Measure	Baseline/Target	Strategies to Achieve Target
Balanced budget	Revenues equal to or greater than expenses	2007–08 projected net income—$0 2008–09 target net income—$0	Improve PO system to better control expenses Implement Development Plan Implement Enhanced Visitor Services Plan

Crown Corporation
BUSINESS PLANS
FOR THE FISCAL YEAR 2008–2009

Halifax-Dartmouth Bridge Commission
Business Plan 2008–2009

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Message from the Minister and Board Chair

The Halifax-Dartmouth Bridge Commission enters 2008–2009 in strong financial health with enviable bond-ratings and a mandate to expand the electronic collection system, MACPASS. Since 1999 the commission has decreased its debt from $123 million to $60 million while continuing to make significant capital investments to ensure that we are able to keep the bridges well maintained and structurally sound for current users and future generations.

Throughout its 58-year history, the commission has built, operated, and maintained the Angus L. Macdonald and the A. Murray MacKay Bridges across Halifax Harbour. It is financially self-sufficient—funding all capital and maintenance projects and costs through toll revenue and borrowing at commercial rates. The commission's 2007 net operating income was $6.5 million on total revenue of $27 million.

The objectives of the commission are to ensure that the travelling public has a safe, convenient, reliable, and efficient crossing at an appropriate cost. As traffic volumes continue to rise, the bridges are nearing their capacities during some peak traffic demand periods. In response, the commission continues to seek innovative solutions to this challenge.

One such solution is MACPASS, which will see considerable improvements in 2008–2009. Electronic toll technology will help manage increasing traffic and allow for more capacity in the commission's toll plazas.

Early in 2008 the commission will eliminate the deposit requirement for MACPASS, eliminate token use, and convert to axle-based tolling, all of which will help promote the use of MACPASS.

The bridges are vital transportation links and determining factors in economic development of HRM and the region. We look forward in 2008–2009 to introducing new strategies to secure the long-term financial well-being of the commission and its ability to keep traffic moving efficiently and safely over Halifax Harbour in the interest of the travelling public.

The Honourable Michael Baker, QC
Minister of Finance

Tom Calkin, P.Eng., CMC
Chair, Halifax-Dartmouth Bridge Commission

Mission

To provide safe, convenient, efficient, and reliable passage for our patrons at an appropriate cost.

Mandate

The Halifax-Dartmouth Bridge Commission 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 request 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.

(e) 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.

Link to the Corporate Path

Creating Winning Conditions

Globally Competitive Business Climate and Connections

The Halifax-Dartmouth Bridge Commission is a global leader. The commission is an important link in the Atlantic Gateway concept. It provides the state-of-the-art direct road link between the Port of Halifax's two container terminals and North American markets.

The commission also contributes to safe passage for the marine industry by being a partner in the operation of a GPS-based system to measure the air gap of the Angus L. Macdonald Bridge and the A. Murray MacKay Bridge. Air gap is the measurement between the highest point of a ship's superstructure and the lowest part of the bridge's superstructure.

Seizing New Economic Opportunities

Leader in Information Technology

How the commission manages traffic flow across the bridges directly impacts tens of thousands of commuters and commercial operators daily. The MACPASS electronic toll collection system provides benefits directly and indirectly through faster transit times, added convenience, and cost savings over using cash.

In 2008, the commission will implement a new toll collection system—an Automated Vehicle Classification system based on an axle count classification system. This will replace the current gross registered vehicle weight system. Axle-based tolling is based on the number of axles per vehicle. It is the industry standard for tolling systems in North America and is a more accurate method of allocating costs in a user-pay system. When the new system becomes operational, some vehicle class toll rates will decrease, others will see no change, and some commercial classes will see an increase. The large majority of bridge users are Class 1, the tolls of which will not change except if pulling a trailer.

Leader in R&D and Innovation

The commission and the Halifax Port Authority (HPA) are leaders in the research and development of the air gap system for the bridges. This is a unique innovation for bridges and marine safety.

The ability to accurately measure the air gap has enabled larger post-Panamax–sized container ships to travel to port facilities located in Bedford Basin. The air gap system became fully operational in 2007, and the minimum air gap clearance is 1.35 m (1.55 m in reduced visibility)—a reduction from 2.0 m. The air gap system improves the Port of Halifax's ability to be globally competitive for the new larger classes of container ships currently on order for the Asia-to-U.S. East Coast service, via the Suez Canal. The air gap system provides the commission with new information about the bridges' dynamics, which is valuable for maintenance forecasting and analysis. This project also provides technological innovation for use in safe pilotage.

Leader in Clean and Green Economy

The commission takes every opportunity to reduce its impact on the environment. Using MACPASS allows traffic to flow more quickly through the bridge plazas, which reduces congestion, improves safety, and maximizes the capacity of the bridges. Independent analysis quantifies the contribution of the MACPASS tolling system as follows:

- 81,400 hours per year of peak travel time savings across both bridges—as an approximation, each commuter saves nine hours per year
- an estimated yearly increase of 200,000 to 280,000 peak hour trips across both bridges as a direct result of MACPASS
- reduction of fuel consumption by 484,000 litres and reduction of carbon dioxide by 1160 tonnes during peak hours throughout the year

Building for Individuals, Families, and Communities

Healthy, Active Nova Scotians

The commission encourages healthy, active lifestyles for Nova Scotians. When the Macdonald Bridge opened in 1955, pedestrians and cyclists paid tolls to use the bridge; cyclists shared the two-lane roadway with motor vehicles; and pedestrians used a narrow sidewalk adjacent to the roadway. Today, cyclists and pedestrians travel the Macdonald Bridge toll-free and have some of the best views of the city from a dedicated bicycle path and walkway, safely removed from motor vehicle traffic.

Several times a year the Macdonald Bridge closes to motor vehicle traffic to promote physical activity. The annual Bridge Walk draws approximately 10,000 pedestrians each year, and the commission is one of the original sponsors of the Blue Nose International Marathon. The commission is a founding partner of the BridgeMile, now known as the MACPASSMile—a free one-mile run across the Macdonald Bridge—open to people of all ages and abilities. MACPASSMile has become a sanctioned event with Run Nova Scotia.

Safe Communities

The commission has numerous programs that help ensure the safety of the travelling public and bridge personnel. Employees are vigilant in enforcing speed limits on the bridges, and in 2008 the commission will invest in new signage to provide advance warning of bridge restrictions due to high winds and extreme weather. The commission has numerous emergency telephones along the sidewalk and bikeway, which provide a 24/7 link to the Macdonald Bridge control room. Cameras installed on the bridges also alert control room staff of any safety issues, and handrail extensions over DND property provide an added level of security.

The Macdonald Bridge and the MacKay Bridge are main traffic arteries and have a role to fill in emergency response preparedness. This is a responsibility that the commission takes very seriously. In 2008, the commission will design and implement phase 1 of an integrated security system and will continue to participate in emergency response planning and exercises with other agencies and organizations.

Vibrant Communities

The commission is committed to helping ensure that the community of which it is a part remains healthy and vibrant. In addition to promoting a healthy and active community, the commission is a major sponsor of the annual Natal Day festivities, which attract people from all around the province. The commission also helps promote various non-profit organizations by allowing them to advertise by putting banners on the Macdonald Bridge or floral beds along the MacKay Bridge.

As a leader in transportation, the leadership of the commission participates on various committees around safety and security, transportation, and maintenance.

Planning Context

The environment in which the commission operates is relatively unchanged from 2007. What follows is an overview of the structure and the factors that are considered in the planning process.

Organizational Structure

The commission's board has nine members: five members are appointed by the Province of Nova Scotia, including the Chair and Vice Chair; and four members who are HRM Councillors, appointed by Halifax Regional Municipality. Within the board structure, standing committees deal specifically with Audit, Maintenance, Finance/Administration/Planning, and Operations/Public Relations/Marketing.

The commission employs 32 permanent administrative and maintenance staff, as well as 47 members of the Canadian Corps of Commissionaires on a contract basis. On a seasonal basis, the commission employs approximately 40 painters and 11 gardening staff.

Strengths

The commission's greatest strengths include its proven knowledge of the maintenance and operation of suspension bridges, almost 60 years of experience in performing these tasks, and its leadership in implementing and operating electronic toll collection.

The commission is financially self-reliant and reports to the Minister of Finance for the Province of Nova Scotia. The Minister and Cabinet approve the commission's financing. As a self-funding user-pay operation, the commission receives no assistance from tax dollars. The Nova Scotia Utility and Review Board approves the commission's toll rates.

The commission continues to achieve financial stability and meet its obligations to bond holders. Its strong bond ratings continue into the next fiscal year: it received a rating of AA (low) from Dominion Bond Rating Service and AA- stable from Standard & Poor's Rating Agency.

Through strategic capital investments and a comprehensive maintenance plan that extends the life expectancy of the structures and ensures public safety, the bridges are well maintained and structurally sound.

Converting cash and token users to the more efficient toll payment method of MACPASS means faster transit times and ease of use and convenience for bridge patrons and reduced toll plaza congestion and idling times that benefit the environment. On average, MACPASS processes 88 per cent of the commission's commercial customers (Classes 2, 3, 4, and 5) and a weekly average of 55 per cent of the Class 1 transactions.

MACPASS is the preferred payment method for the majority of Class 1 commuters. During 2007, Monday to Friday, electronic toll collection (MACPASS) accounted for 63 per cent of Class 1 transactions during the morning rush, 6 am until 9 am, and 58 per cent of Class 1 transactions during the afternoon peak drive period, 3 pm until 6 pm.

The commission's traffic alert system quickly communicates major disruptions that may affect bridge traffic. More than 3,400 people—bridge users, stakeholders, and media—subscribe to the e-mail and cellular telephone messaging. Media supports the commission's efforts to communicate traffic conditions on the bridges and relays traffic alerts to the public.

Weaknesses

The Macdonald Bridge has been operating for 53 years, and the MacKay Bridge has been operating for 38 years. Therefore, age, maintenance costs, and the effort required to ensure that they remain structurally sound will escalate significantly over the next several years.

Based on current traffic growth projections, the bridges are approaching full capacity.

The commission cannot increase the physical capacity of the bridges because the bridges themselves cannot sustain more weight structurally.

Opportunities

The commission has identified growth opportunities within its core business areas to increase revenue. Under the Halifax-Dartmouth Bridge Commission Act, the commission is mandated to market its electronic toll collection system (MACPASS) to other toll collection agencies in Atlantic Canada. The commission continues to look for strategic partnerships and in 2008 the commission will investigate how MACPASS can be used at various parking facilities across Nova Scotia.

Since the NSUARB approved the elimination of tokens in 2008, the elimination of the deposit requirement on MACPASS and the conversion to axle-based tolling, the commission will promote the use of the MACPASS program. Electronic toll technology will help manage increasing traffic and allow for more capacity in the commission's toll plazas. With the increasing demands on our transportation network, the changes enable the commission to plan for further enhancements, such as the implementation of Express Lanes that could help vehicles pass the collection point while maintaining their roadway speed.

The ability to control the direction in which traffic flows in the centre lane of the Angus L. Macdonald Bridge allows the commission to better manage the bridge's capacity.

Threats

Severe weather conditions, rising fuel costs, and a downturn in the economy can have a negative impact on traffic volumes on the bridges with implications for the overall financial performance of the commission.

The world was irrevocably changed on September 11, 2001, with respect to ensuring the safety of the public and public buildings and structures. The commission takes its responsibility very seriously and continues to investigate ways to enhance security and safety measures.

Strategic Goals

To carry out its mission, the commission has defined the following goals as strategic:

1. Continue long-term planning so the commission can address the need for additional cross-harbour capacity if required. The report, released in March 2008, is an early-stage analysis of how to address growing traffic congestion in HRM. The needs assessment offers options for the politicians, the business community and our bridge users to consider and is an investment in long-term strategic planning.
2. Continue to manage the cash flow and debt to meet the capital and maintenance requirements of the bridges. Communicate our long-term financial scenarios to local authorities.
3. Increase the use and usefulness of MACPASS by
   - converting token customers to MACPASS

- converting cash customers to MACPASS
- broadening distribution methods
- promoting the MACPASS option to parking lot operators
- offering single account service to toll authorities in the Maritime provinces

4. Complete an aggressive four-year program (2007–2010) to address maintenance requirements identified through inspections and bridge health analysis.
5. Increase public and stakeholder awareness of the commission's commitment to providing safe, efficient, and reliable passage at an appropriate cost. Develop a communications strategy that will also inform the public and our stakeholders of the commission's long-term plans.
6. Aggressively manage congestion, accidents, and incidents to minimize disruption to bridge users by reducing response times, educating the public, improving roadside communication, and relationship building. Explore alternative operation modes to increase bridge utilization and reduce traffic congestion.

Core Business Areas

Safety and Emergency Preparedness

Objective: Maintain public and employee safety through ongoing reviews and implementing the commission's policies, operations and initiatives.

The safety of the travelling public is protected through a number of programs and initiatives.

Members of the Corps of Commissionaires monitor bridge traffic conditions through video surveillance and patrols. This enables them to respond promptly to incidents and advise the public, stakeholders, and media in a timely manner. In late 2006, an operational staffing review identified a requirement for a senior management presence 24 hours a day, seven days a week. In August 2007, in accordance with the contract with Commissionaires Nova Scotia (CNS), four members of CNS were promoted to senior management positions with an increased emphasis on safety, security, and emergency preparedness and response.

The commission uses multiple speed enforcement tools to improve safety and minimize traffic accidents. Between January and the end of October 2007, the Bridge Police issued 281 summary offence tickets and 709 warnings for traffic violations on the bridges under the Nova

Scotia Motor Vehicle Act and the Halifax-Dartmouth Bridge Commission by-laws. An increased Bridge Police presence and traffic enforcement initiatives have resulted in an average speed on the Macdonald Bridge of 58.09 km/h and of 75.67 km/h on the MacKay Bridge over this period.

During the period January to October 2007, the operations manager participated in four joint HRM/DND and Halifax Port Authority emergency response exercises. Two in-house emergency response tabletop exercises were also held with the commission and CNS staff. In early October an environmental emergency response exercise was held with the full participation of DND and the commission/CNS staff. The two automated external defibrillators (AEDs) purchased and installed in the commission's emergency response vehicles in 2006 were upgraded to ensure compliance with changes to the latest protocol in the use of these units. The Bridge Police teams completed refresher training in using these life-saving devices.

For the safety of bridge patrons, the decks of both bridges are equipped with ice detection systems to help provide early warning of changing driving conditions. Because bridges develop ice quicker than other roadways during winter months, the commission maintains 24-hour-a-day maintenance staffing for prompt attention to ice and snow removal on the structures and approaches.

Maintenance

Objective: Ensure that the bridges are well-maintained and structurally sound.

A detailed and rigorous program is essential to maintaining the bridges and ensuring the safety of the travelling public.

The commission's staff and consulting engineers conduct ongoing monitoring and thorough annual inspections of the bridges and approaches to identify immediate and long-term requirements. These requirements are incorporated into the commission's maintenance schedule and capital improvements program.

Conserving the steel on the bridges is an ongoing priority. The commission hires a seasonal painting force who manually examine the steel for areas of wear, remove the rust from that location, and apply protective coatings/paint. It requires approximately 40 painters, working from early May to early October each year for three years to complete one program cycle for both bridges. In the next fiscal year the painting program will focus on painting the main cables and suspender ropes on the MacKay Bridge.

In support of the maintenance painting program and to improve safe access for the painters, improvements will be made to existing maintenance access facilities on the approach spans of the bridges, including adding a self-drive system to the MacKay Bridge side travellers, lowering the

MacKay approach spans catwalk, and adding a central catwalk on the Macdonald Bridge approach truss spans.

The top three maintenance programs for 2008–2009 are to

- complete painting of 75 per cent of the MacKay Bridge main cables and suspender ropes
- improve the maintenance access on the MacKay Bridge approach spans
- refurbish the Victoria Road interchange plus four of the structures on the approaches to the MacKay Bridge

Efficient Transportation

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

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

The commission uses technology and traffic management tools to provide efficient toll collection, reduce traffic congestion, and accommodate future traffic growth. Great strides have been made to improve traffic flow on the bridges, notably in the re-engineering of the Barrington Street ramp, the construction of the third lane on the Macdonald Bridge, MACPASS, and the commission's Traffic Alert System, which enables bridge users to receive messages about the conditions of the bridge that may affect travel via e-mail or cellular messaging.

Replacing the commission's MACPASS toll collection system in early 2008 provides opportunities for the commission to look to the future and increase efficiencies for traffic management and throughput volumes. The design and forward-thinking approach to this implementation will significantly improve the commission's ability to carry out its mandate and take advantage of future regional electronic fare payment opportunities, such as parking.

The elimination of tokens, the change in vehicle classification methodologies to axle-based tolling, and the removal of the MACPASS deposit are important strategic changes that will allow the commission to increase the capabilities of the MACPASS program. With the implementation of these changes early in 2008, MACPASS use will grow and provide future opportunities to increase the capacity of our toll plazas. These are necessary to provide opportunities for the commission to implement future tolling efficiencies such as open-road tolling or express lanes, which allow vehicles to pass the collection point at highway speeds. Enhancements that maximize vehicle throughput on the toll plazas continue to help offset additional cross-harbour capacity.

Converting token and cash users to MACPASS and expanding the capabilities of MACPASS are priorities of the commission. At the end of 2007, there were 95,000 active transponders. The goal is to increase this to 120,000 by the end of 2008. To achieve this, more than 2,000 new transponders will have to be placed in service each month. MACPASS will process approximately 17.4 million transactions, in 2007 and by year-end will account for 53.4 per cent of the 32.6 million vehicle crossings on the Macdonald and MacKay Bridges.

These changes provide the commission with new opportunities to increase the usage and the utility of the MACPASS system and to plan for future tolling efficiencies.

Fiscal Management

Objective: Ensure the commission's financial stability through efficient financial planning and management.

Financial management and fiscal stability are achieved through various policies, programs, and initiatives.

The commission reviews, develops, and implements policies, plans, and a budgeting process to support annual operational and maintenance costs. The commission's system of internal controls is vital to its successful fiscal management.

Assessing risk and obtaining adequate and appropriate insurance coverage for the protection of its assets and revenue stream are fundamental to sound fiscal management. The commission works to ensure the most effective use of long-term borrowing and investment capabilities.

The commission's dedication to the maintenance of its assets and the effective collection of tolls for more than 32 million vehicles annually significantly contributes to its sound financial position.

Priorities for 2008–2009

We are taking these priorities in support of the commission's core businesses.

Safety and Emergency Preparedness

The commission's safety priorities for 2008–2009 are to

- carry out proactive speed enforcement
- plan and carry out an on-site full-scale emergency exercise with the participation of emergency response agencies
- revise and update the HDBC Occupational Health and Safety Manual to ensure compliance with applicable acts and regulation
- purchase an emergency response vehicle for the Macdonald Bridge walkway and bikeway
- develop and implement procedures to improve emergency response for motor vehicle accidents and stalled vehicles and the timely removal of vehicles
- design and procure an integrated security system Phase 1

- develop signage to provide advance warning of bridge restrictions, e.g., due to inclement weather, so bridge users know to use an alternative route

Maintenance

The commission's maintenance priorities for 2008–2009 are to

- evaluate horizontal netting between roadway and sidewalk/bikeway on the suspended spans of the Macdonald Bridge, with a view to installing the netting for the length over the Department of National defence (DND) property
- complete 75 per cent of the painting of the main cables and suspender ropes of the MacKay Bridge
- improve the maintenance access on the MacKay Bridge approach spans by modifying the existing catwalks and adding self-drive systems to the side travellers
- add central catwalks on the Macdonald Bridge approach truss spans
- refurbish three structures on the approaches to the MacKay Bridge
- refurbish the Victoria Road interchange

Efficient Transportation

The commission's efficient transportation priorities for 2008–2009 are to

- renew the MACPASS toll collection system and software
- carry out planning, marketing, and public awareness regarding the implementation of new vehicle classification methodology, elimination of tokens, and removal of the MACPASS deposit
- increase use of the Macdonald Bridge centre lane
- implement with Halifax Regional Municipality access improvements for the Windsor/Robie/Barrington Street merge on the Halifax-side of the MacKay Bridge

Fiscal Management

Through review, development, and implementation of policies, plans and budgets, the commission will continue to

- effectively collect tolls, both electronically and mechanically (ongoing)
- maintain the reliability of internal control systems (ongoing)
- meet capital project requirements (ongoing)
- manage the Operations and Maintenance budgets (ongoing)
- use the commission's cash flow for capital expenditures and for debt reduction
- maintain current bond ratings: DBRS AA (low) and S&P AA—stable

Budget Context

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

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

In 2007 the commission maintained its bond rating with Dominion Bond Rating Service (DBRS) at AA (low) and achieved a rating increase from Standard & Poor's Ratings Group from A+ positive to AA—stable. The commission will continue to receive annual ratings from these agencies.

	Actual 2006 ($,000)	Actual 2007 ($,000)	Budget 15 months ending Mar 31, 2009 ($,000)	Projected 2009–10 ($,000)
Revenue				
Toll revenue	23,382	23,426	29,147	23,785
Other rate charges	114	146	262	144
Investment and sundry income:				
Trust fund investments	1,918	1,992	266	270
Other	443	453	400	200
Investment Income	—	1,020	—	—
Contributed Revenue	—	—	3,500	—
Total Revenue	25,877	27,037	33,575	24,399
Expenses				
Operating	4,350	4,823	7,230	5,708
Maintenance	3,029	3,913	8,038	4,400
Amortization	4,615	4,674	5,659	5,200
Debt servicing	6,231	7,072	3,785	2,908
Loss (profit) on disposal of property, plant, and equipment	—	50	—	—
Total Expenses	18,255	20,532	24,712	18,716
Net Operating Income	7,652	6,505	8,863	6,183

Outcomes and Performance Measures

Core Business Area 1 *Safety and Emergency Preparedness*

Outcome (Immediate and Intermediate)	Measure	Data	Target	Strategies to Achieve Target
Minimized number of motor vehicle accidents and injuries (on the Macdonald and MacKay Bridges)	Annual statistics of accidents	Year 2005: 1.7 accidents per 100,000 VKT* Year 2006: 1.6 accidents per 100,000 VKT	Reduce the number of accidents to Year 2004 level of 1.2 accidents per 100,000 VKT or lower	• Improve effectiveness of police teams by increased training, increased presence during summer months. • Use accident database to target specific areas for attention
Compliance with posted speed limits (on the Macdonald and the MacKay Bridges)	Annual statistics of average speeds	Year 2005: MacKay Bridge average speed 80.58 km/h (posted speed limit 70 km/h) Macdonald Bridge average speed 64.23 km/h (posted speed limit 50 km/h) Year 2006: MacKay Bridge average speed 79 km/h (posted speed limit 70 km/h) Macdonald Bridge average speed 65 km/h (posted speed limit 50 km/h) Year 2007 (Jan–Oct): MacKay Bridge average speed 75.67 km/h (posted speed limit 70 km/h) Macdonald Bridge average speed 58.09 km/h (posted speed limit 50 km/h)	Reduce speed violations and maintain or lower average speeds (MacKay Bridge: 78 km/h; Macdonald Bridge: 58 km/h).	Increase dedicated enforcement hours above the 400 hours in 2007.

*VKT = vehicle kilometres travelled

Core Business Area 1 *Safety and Emergency Preparedness*

Outcome (Immediate and Intermediate)	Measure	Data	Target	Strategies to Achieve Target
Implementation of integrated security plan	Security procedures and measures implemented	Year 2005: Final report 100% completed Year 2006: Receive and qualify expressions of interest for Phase 1—100% complete	Year 2008: Award procurement contract and implement Phase 1—100% complete	Implement project schedule
Emergency response preparedness	Emergency exercises completed	Year 2007: Two on-site emergency tabletop exercises and one environmental emergency response exercise involving DND, HDBC, and CNS staff—100% complete	Year 2008: Complete minimum of two on-site emergency tabletop exercises with HDBC and CNS staff. Complete on-site emergency response involving an emergency response from all emergency response agencies and HDBC, CNS, and staff	• Consult with the emergency response agencies and obtain their commitment to participate in an on-site emergency response exercise. • Set up an emergency response planning committee. • Develop emergency scenario with all agencies. • Schedule exercise date

Core Business Area 2 *Maintenance*

Outcome (Immediate and Intermediate)	Measure	Data	Target	Strategies to Achieve Target
Maintain bridges in a relatively superior condition	Engineer's annual inspection report Periodic thickness testing	Ongoing painting program (May to October) for both bridges; when the cycle is complete, painters start again	Continuous on a three-year cycle	Annual painting program
Maintain cables (minimal flaking and cracking of the main cable coating)	Engineer's Annual Inspection Report	Year 2004: 10% complete Year 2005: 30% complete Year 2006: 100% complete painting of the main cables and suspender ropes (Macdonald Bridge) Year 2007: 15% complete (MacKay Bridge)	2008: 75% complete painting of the MacKay Bridge main cables and suspender ropes 2009: 100% complete painting of the MacKay Bridge main cables and suspender ropes	• Use of cable crawler, self-propelled boom, and rental booms for painting and inspections • Weekend closures of a single lane on the MacKay Bridge
Install and evaluate horizontal netting in Macdonald Bridge stiffening truss over Department of National Defence (DND) property	Trial evaluation; selection of preferred material	2007: Trial installation 100% complete; assessment delayed pending relevant weather event	2008: 100% complete assessment of trial	Dependent on number of snow falls
Install selected netting on Macdonald Bridge suspended spans over DND property	Final construction inspection report	2007: Insufficient snow fall events to assess trial netting installation	2008: 100% complete	• Access from sidewalk/bikeway • Dependent on selection

Core Business Area 2 *Maintenance*

Outcome (Immediate and Intermediate)	Measure	Data	Target	Strategies to Achieve Target
Install central catwalks on Macdonald Bridge approach truss spans	Final construction inspection report		2008: 100% complete	• Night and weekend lane closures for delivery of material • Coordination with DND for work over Halifax Dockyard
Repair MacKay approach spans concrete curb	Final construction inspection report	2006: 10% (minor patching on Dartmouth approach spans north) 2007: 25% (Halifax approach spans north)	2008: 60% complete (Halfiax approach spans south) 2009: 100% (Dartmouth approach spans south)	• Night and weekend closures • Limit loud work to before 11 pm due to proximity to residences
Refurbish Windmill Road, CN (Dartmouth), and Princess Margaret Blvd	Final construction inspection report		2008: 100% complete	• Where possible, nights and weekend lane closures • Minimize weekday work and lane closures
Improve MacKay Bridge approach spans maintenance access	Final construction inspection report		2008: 100% complete	• Minimize disruption to painter's access • Maximize work before start of painting season

Core Business Area 2 *Maintenance*

Outcome (Immediate and Intermediate)	Measure	Data	Target	Strategies to Achieve Target
Remove the K-ramp	Final inspection report		2009: 100% complete	
Repair MacKay approach spans bearings	Final construction inspection report		2009: 100% complete	• Where possible, night and weekend lane closures • Minimize weekday work and lane closures
Resurface Victoria Rd interchange and refurbish Victoria Rd underpass	Final construction inspection report		2009: 100% complete	• Where possible, night and weekend lane closures • Minimize weekday work and lane closures

Core Business Area 3 *Efficient Transportation*

Outcome (Immediate and Intermediate)	Measure	Data (as at March 31)	Target	Strategies to Achieve Target
Increase the efficiency of traffic flow by increasing throughput and reducing congestion	Total number of active transponders on the system percentage of MACPASS usage as at December 31	Number of transponders on the system (annual percentage of MACPASS usage) Year 2001: 36,027 (32.35%) Year 2002: 46,900 (39.07%) Year 2003: 55,972 (43.33%) Year 2004: 64,874 (47.13%) Year 2005: 73,809 (49.28 %) Year 2006: 83,000 (52.06%) Year 2007: 95,000 (55%)	Year 2008: 120,000 (67%) March 31, 2009: 125,000 70%	• Increase distribution • Protect brand reputation • Provide excellence in customer service • Eliminate $30 deposit on transponder • Eliminate tokens
Maximize use of the Macdonald Bridge centre lane based on traffic demand	Reduced waiting times for patrons and increased customer satisfaction	Centre lane reversed successfully based upon established traffic demand criteria	Increased level of customer satisfaction	• Improve established procedures and technical ability Agree on and establish protocol with HRM for coordinated approach (i.e., access and egress traffic light sequencing)

Core Business Area 3 *Efficient Transportation*

Outcome (Immediate and Intermediate)	Measure	Data (as at March 31)	Target	Strategies to Achieve Target
Renew MACPASS toll collection system and software	Completion of system integration test by Feb 15, 2008 Commissioning test of entire system (lane by lane and decommissioning of old system) by March 20, 2008 Full month-long-system acceptance test by June 18, 2008 Start of 12-month warranty period: June 19, 2008 Implement new axle-based classification structure and eliminate tokens by May 1, 2008	75% of budget spent by Feb 15 (80% completion) 80% of budget spent (90% completion) 85% of budget spent (100% of work complete) 100% of budget spent	New system passes 100% acceptance of system integration criteria Old system is 100% decommissioned and new system is operational System passes 100% of acceptance criteria	• Top senior management priority, rigid project controls on a project completion basis, monthly reporting on costs and schedule to management and board • Same management priority
Variable message signs	Ensure safety of travelling public during high winds/extreme weather by reducing vehicle speed and closure of the bridge(s)	2007: $400,000 budget 2004: 0 vehicle incident 2005: 1 vehicle incident 2006: 0 vehicle incident	2007 and beyond: 0 vehicle incidents Speed drops from 70 km/h to 50 km/h Advanced notice of closure	To be completed by the end of 2009

Core Business Area 4 *Fiscal Management*

Outcome (Immediate and Intermediate)	Measure	Data	Target	Strategies to Achieve Target
New long-term financing effective December 4, 2007	Continue accumulation of capital fund at $1.8 million/year	Years 2008–2019 principal repayment of $3 million/year with a balloon payment of $27 million in 2019	December 4, 2019	Maintain solid cash management to achieve requirements of long-term financing
Removal of all tokens from system	Accurate refund or MACPASS account credit to all patrons returning unused tokens	Redemption to commence February 15, 2008	Completion July 31, 2008	Effectively control the timely return and disposal of all tokens
Maintain bond ratings	Continuous positive cash flow and budget requirements	Bond ratings AA (low) and AA—stable	Maintain base-line ratings	Meet all interest, principal, and fund requirements on time

Crown Corporation
BUSINESS PLANS
FOR THE FISCAL YEAR 2008–2009

InNOVAcorp
Business Plan 2008–2009

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Message from the President and CEO

During fiscal year 2007–2008, InNOVAcorp further intensified its role in driving the knowledge economy and innovation capital markets in Nova Scotia. The following examples provide a glimpse of the significant progress made through the efforts of InNOVAcorp, its clients, and its partners during this period.

- InNOVAcorp clients Coemergence Inc. and Diaphonics Inc. are among only five Canadian firms, and the first in Atlantic Canada, to be named to AlwaysOn's list of Top 100 private companies.
- The pipeline of new start-up Nova Scotia–based knowledge company opportunities reaches an all-time high, including a marked increase in the number of rural Nova Scotia–based company start-ups.
- The Broadband for Rural Nova Scotia project, which promises to make Nova Scotia the most connected jurisdiction in North America by 2009, reaches the key milestone of awarding private-sector service-provider contracts.
- InNOVAcorp's High Performance Incubation (HPi)™ business model is again recognized as a best practice by the National Business Incubation Association (NBIA), which represents over 1600 like organizations across 40 countries.
- The average venture capital deal size in Atlantic Canada has increased more than 25 per cent since 2004, surpassing the growth of deal size nationally.
- InNOVAcorp is successfully managing the Early Stage Commercialization Fund (ESCF), which identifies and supports the highest commercialization potential projects within Nova Scotia's 11 universities and the community college system.
- Mil-Aero Electronics Atlantic Inc. enters into a business agreement with a major player in the aerospace and defence industry.
- InNOVAcorp leads early-stage investment dialogue at the Canadian Venture Capital Association's annual conference.
- ImmunoVaccine Technologies Inc. names Dr. Randal Chase as the company's new president and CEO.
- Medusa Medical Technologies Inc. announces that it will outfit 60 per cent of ambulances in England with its Siren ePCR™ Suite.

- Prosolum Inc. finalizes a three-year, $1.6-million agreement with Bell Aliant.
- InNOVAcorp's Dr. Lidija Marusic is appointed to the Canadian Institutes of Health Research Proof of Principle program peer review committee.
- Welaptega Marine Ltd. secures contracts in the UK, Australia, Southeast Asia, Canada, and Norway.
- InNOVAcorp receives 121 submissions to its province-wide I-3 technology start-up business competition.
- EastMed Inc. launches its first product, the uresta™ Continence Care Kit.
- WINSTORM presents inc. secures a contract with New York–based Colgate-Palmolive.
- Ocean Nutrition Canada nears completion of a new 42,000 sq. ft. microencapsulation facility.
- InNOVAcorp hosts Crossing the Chasm, a seminar featuring an internationally acclaimed expert in go-to-market strategy development.
- InNOVAcorp and NRC-IRAP collaborate to seamlessly support mutual clients.

InNOVAcorp's internationally recognized High Performance Incubation (HPi)™ business model comprises three interwoven resources—incubation infrastructure, business mentoring, and seed/venture capital investment—designed to move at the speed of business to help high-potential Nova Scotia–based knowledge companies overcome traditional hurdles to business growth. The numbers show that the HPi business model is effective. InNOVAcorp's economic, client satisfaction, and leading indicator metrics continue to show strong growth.

While we are proud of our achievements, which we believe clearly illustrate the high value our clients obtain from our services, InNOVAcorp strives to continuously strengthen the value it adds to client companies and to the economy of Nova Scotia.

In 2008–2009, InNOVAcorp will further strengthen its products and services to fuel sustainable economic growth. We will achieve this in part by enhancing the scalability of the HPi business model, operationalizing our clean technology practice, maximizing the sustainability and economic impact of the Nova Scotia First Fund (NSFF), completing the planning for development of a new BioScience Enterprise Centre, and monetizing university/college research and entrepreneurial activities.

Dan MacDonald
President and CEO

Mission

To fuel sustainable economic growth by enabling Nova Scotia–based knowledge 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 Nova Scotia–based knowledge companies. These high-growth companies positively affect the province's prosperity more than any other sector of the economy.

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 by focusing on what it will take to move Nova Scotia's innovation and capital markets forward.

To this end, InNOVAcorp has used its daily interactions with entrepreneurs, private industry, angel investors and venture capitalists, academia, industry associations, and public-sector agencies to fuel sustainable economic growth.

Nova Scotia-Based Knowledge Companies

Positive Nova Scotia GDP Impact

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

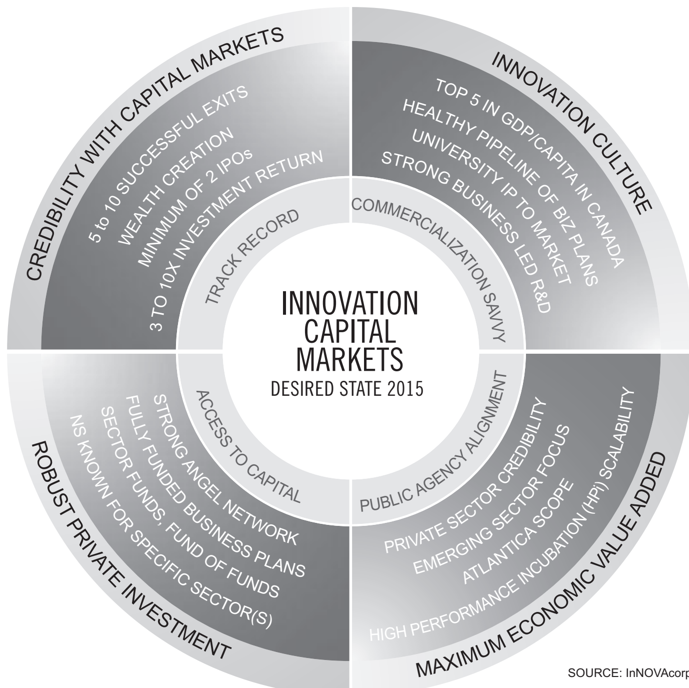
Ability to Attract & Retain Talent

- High average per person payroll
- Diversity of jobs and career growth opportunities
- Employability of employees

Provincial Tax Contributors

Potential to Spin-out New Nova Scotia-Based Companies

InNOVAcorp Vision (continued)



SOURCE: InNOVAcorp 2005

Credibility with Capital Markets

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

2007-2008 Progress

- Larger venture capital rounds occurred in the region.
- Venture capital investment in Nova Scotia–based companies showed significant momentum, increasing from $18.7 million in 2005 to $24 million in 2006 and $17.3 million in 2007.
- A Nova Scotia–based media company conducted a successful second round, raising $17.5 million.

Innovation Culture

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

2007-2008 Progress

- The pipeline of credible knowledge-based business plans increased.
- Increased collaboration with universities/colleges identified and supported the highest potential research and entrepreneurial initiatives.
- Province-wide I-3 technology start-up business competition attracted 121 submissions and engaged 28 private-sector partners.

Robust Private Investment

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

2007-2008 Progress

- First Angel Network was formalized and is actively investing.
- Fully funded (fundable) business plan thinking is becoming pervasive.
- New Atlantic Canada–based investment fund opportunity is emerging.
- The average venture capital deal size in Atlantic Canada has increased more than 25 per cent since 2004, surpassing the growth of deal size nationally, while the average deal size in Atlantic Canada is still half the national average.

Maximum Economic Value Added

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

2007-2008 Progress

- The province's Opportunities for Sustainable Prosperity 2006 (OSPII) economic development strategy listed innovation and financial capital as key priorities.
- Private-sector engagement and collaboration flourished, including active partnerships with chartered banks and legal and accounting firms.
- I-3 initiative engaged 28 private firms from across the province.
- HPi™ business model is being continuously refined to ensure maximum value add and scalability.
- InNOVAcorp and NRC-IRAP collaborated to seamlessly support mutual clients.

Planning Context

The rapid pace of globalization is both an opportunity for and a threat to Nova Scotia. Nova Scotia–based companies have every opportunity to compete for and serve global markets. At the same time, companies from literally around the world have that same opportunity.

Nova Scotia–based export-oriented companies must embrace new and emerging business models to compete globally. These new business models will continue to challenge companies to maximize their value add, diversify, take advantage of global supply chains, and look for opportunities to clearly differentiate their offering from the inevitable commoditization of virtually every product and service.

Nova Scotia's unemployment rate is the lowest it has been in decades. In certain high-growth areas, such as information technology, life sciences, and more recently, financial services, recruiting experienced technical and commercialization savvy talent is becoming a significant business challenge. To reverse this trend, Nova Scotia must do more to create an environment of challenging opportunities and welcoming communities to retain graduates and employees, repatriate those who would return to join established companies or build their own start-up opportunities in the province, and as important, recruit talent through more effective immigration policies. To this end, through daily interaction with early-stage entrepreneurs and high growth potential companies, InNOVAcorp will use its High Performance Incubation (HPi)™ business model to continue to play a leadership role in sourcing the right talent with domain or management expertise to build and grow innovative business models in the knowledge-based sector of the economy.

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

The population and economic prosperity of rural Nova Scotia continues to decline as younger citizens migrate to urban centres within Nova Scotia and beyond. While this phenomenon has been occurring for generations, many feel that the pace of outward migration from Nova Scotia is at an all-time high. While many parts of Nova Scotia offer an excellent quality of life and relatively low-cost real estate, the lack of infrastructure, including access to broadband connectivity, professional services, and sustainable challenging career opportunities, fuels the pace of outward migration. During the 2007–2008 fiscal year, InNOVAcorp extended its reach into rural Nova Scotia in general, and more specifically through two key initiatives: the Broadband for Rural Nova Scotia project and the I-3 Technology Start-Up

Competition. Both of these projects enabled InNOVAcorp to add immediate value to rural Nova Scotia and at the same time engage private- and public-sector organizations across the province.

Among our most cherished assets are our universities and colleges. Nova Scotia is home to 11 universities and a strong community college system with 13 campuses across the province. Approximately $120 million in research is conducted at these institutions each year. While the local economy certainly benefits from the education of our young people, the attraction of world-class researchers, and the direct and indirect employment generated by post-secondary institutions, the economic benefits derived specifically from applied research are relatively low. Both the provincial and federal governments have invested in infrastructure designed to increase the commercialization of university research. The "business-building" component of university and college curriculum in most cases is lacking, and there are few formal ties between university research and the innovation capital markets. In this context, InNOVAcorp must continue to increase its efforts by effectively partnering further with entrepreneurs who are active in these post-secondary institutions.

The declining state of the world's environment is driving innovation across virtually every industry. Every organization must do its part to reduce greenhouse gases, both operationally and in the products and services it delivers. Consumers will no longer tolerate or purchase products and services offered by companies that do not demonstrate efforts to establish green best practices. Related to the focus and momentum of all things green, a new sector has emerged. Clean technology has quickly become the leading venture investment category globally, billions of dollars in venture capital already invested into clean technology companies.

InNOVAcorp, through its HPi™ business model, has observed significant growth in the number of Nova Scotia–based knowledge companies whose core value proposition is based on a clean technology angle. Innovations that look to decrease the amount of energy required, improve sources for renewable energies, and produce more environmentally friendly materials are examples of clean technology opportunities for Nova Scotia. InNOVAcorp, while working in the clean technology sector at a modest level for more than three years, will formally operationalize its clean technology HPi™ practice in the coming fiscal year, enabling start-up companies in this field to tap into InNOVAcorp's business-building services and expertise.

InNOVAcorp's role will be critical in enabling innovative early-stage Nova Scotia companies to attract private investment and successfully enter global markets.

InNOVAcorp SWOT Analysis

In keeping with its culture of continuous improvement, InNOVAcorp first performed an objective SWOT analysis as part of its 2005–2006 fiscal year business plan. That analysis has been updated for fiscal year 2007–2008 and again for fiscal year 2008–2009.

Strengths

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

- collaborative culture, leveraged to maximize synergies between private and public sectors
- global commercialization expertise and industry contacts
- high level of client satisfaction
- highly relevant private-sector ICT and life sciences business and technical expertise
- specialized incubation infrastructure assets, such as configurable laboratory and office premises, with supporting infrastructure, including a state-of-the-art integrated voice and data network
- internationally recognized best practice High Performance Incubation (HPi)™ business model
- active seed and venture capital investment fund
- organizational adaptability and continuous improvement culture
- strong client referral network
- supportive network of professional services suppliers
- supportive, diversified, and balanced board of directors
- venture and seed capital investment expertise and credibility with national investment community
- steadily increasing province-wide visibility and credibility with the private sector

Weaknesses

Absence of specific required strengths

- increased effectiveness of HPi™ pipeline management is required so 80 per cent of support is applied to the highest potential clients
- depth of clean technology sector business and technical expertise
- the longer-term sustainability of the InNOVAcorp HPi™ tool set, specifically the Nova Scotia First Fund, and its related ability to keep pace with global innovation capital markets

Opportunities

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

- continually strengthen and renew the InNOVAcorp brand to increase the quality pipeline

- continue to collaborate with private-sector financial and professional services firms to more effectively support our clients
- deliver advanced information technology infrastructure and services to resident and remote clients
- expand the network of subject matter experts and mentors who can be called upon to support our clients
- further leverage online marketing to attract and prequalify new clients, as well as strengthen relationships with existing clients
- increase InNOVAcorp's role as a national/international advocate for sustainable innovation and capital investment in Canada
- restructure the Nova Scotia First Fund to maximize its leverage impact and ensure its long-term sustainability
- collaborate with universities to deliver/strengthen entrepreneurial curriculum
- partner with universities to establish an enhanced targeted commercialization fund
- operationalize InNOVAcorp's clean technology HPi™practice

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

- ability of client companies to recruit and retain the required world-class experience and expertise
- high number of undercapitalized venture-grade opportunities and their related inability to meet operational objectives, which results in a poor investment track record for the region
- low level of regional industry-led R&D, which continues to impede momentum of commercialization progress
- inability to sustain a level of quality support to clients due to the significant increase in the potential client pipeline
- unplanned requirement for significant capital investment (e.g., to repair incubation infrastructure), which causes InNOVAcorp to use operational funding
- continuation of a U.S. economic downturn into a full recession, which affects both access to capital and access to market

Link to the Corporate Path

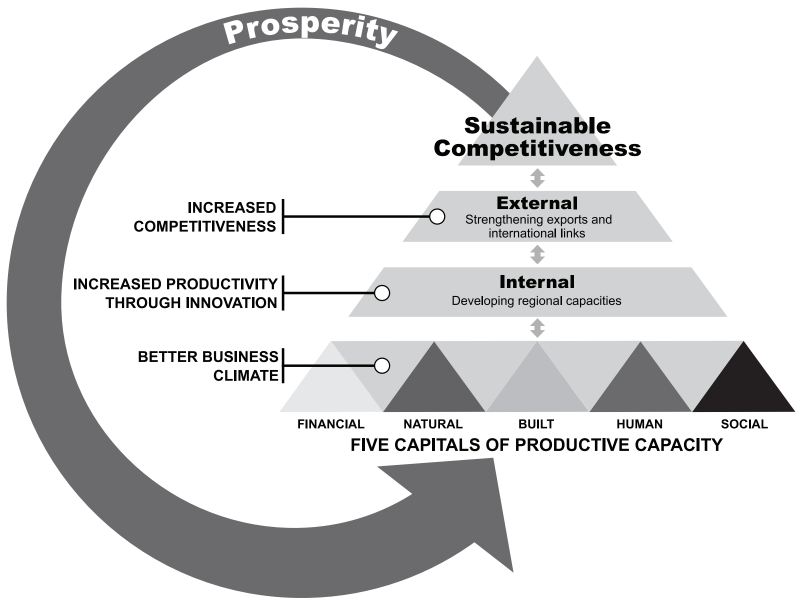
As a Crown corporation, InNOVAcorp's objectives and initiatives are designed within the context of fiscal responsibility and align with the following Government of Nova Scotia priorities:

Creating Winning Conditions

InNOVAcorp is all about "creating winning conditions." Hand in hand with our clients and partners we set out to create an environment in which high-potential early-stage companies become "fit for the fight," attract world-class employees, establish state-of-the-art go-to-market strategies, and take on global markets. We leverage our international network of advisors and investors to assist in raising seed and venture capital. InNOVAcorp's highly successful I-3 Technology Start-Up Competition engaged prospective entrepreneurs, community leaders, and professional firms from across Nova Scotia, and in doing so, helped strengthen the "winning conditions" for building a knowledge economy.

Seizing New Economic Opportunities

InNOVAcorp has built a strong information technology and life sciences practice. Both these critical sectors leverage information technology to reduce time to market and increase competitiveness. Information technology is key to building high-growth Nova Scotia–based companies. InNOVAcorp clients conduct R&D to both enter and remain competitive in their chosen markets.



Source: *Opportunities for Sustainable Prosperity 2006.*

Building for Individuals, Families and Communities

InNOVAcorp continues to work diligently to extend its reach across Nova Scotia. We are stimulating innovation in rural Nova Scotia and sparking the development of Nova Scotia–based companies.

InNOVAcorp continues to co-lead the Broadband for Rural Nova Scotia initiative, which will deliver both social and economic benefits. Further, broadband is an essential utility for any early-stage company to be able to grow and prosper. InNOVAcorp also continues to play a key role in the implementation of the province's economic strategy, Opportunities for Sustainable Prosperity 2006, which is designed to create "sustainable economic growth."

Over the last five years, InNOVAcorp helped attract $22.7 million from angel and strategic investors, financial institutions, and other seed and venture capital funds. Ten million dollars of this investment capital originated outside Atlantic Canada. In May 2007, Nova Scotia hosted the annual Canadian Venture Capital Association (CVCA) conference. InNOVAcorp led an international panel of venture capital firms exploring the challenges and best practices in early-stage venture capital investment. The conference was a huge success and left a lasting positive impression on the international audience.

Built capital, more specifically, broadband and wireless connectivity resulting from the Broadband for Rural Nova Scotia initiative co-led by InNOVAcorp, promises to make Nova Scotia the most connected jurisdiction in North America by 2009. In 2007–2008, after approximately 15 months of work that included a complex competitive request for proposal (RFP) process, the project reached the key milestone of awarding private-sector service-provider contracts.

Further, InNOVAcorp has continued to leverage its fully integrated voice and data IP network at its four facilities. This network enables early-stage companies to access high-end IT infrastructure, speed up time to market, and facilitate integrated communications/transactions with customers and suppliers.

Human capital, more specifically, building specific skill sets in the areas of global go-to-market strategies and knowledge among client companies' senior management, is critical to helping Nova Scotia–based companies prosper. Further, InNOVAcorp continues to be deeply involved in initiatives designed to retain and retrain human resources in Nova Scotia and repatriate and recruit talent from outside the province.

Social capital—regional capacity and, more specifically, "entrepreneurship and increased productivity through innovation"—is in fact at the heart of InNOVAcorp's mission: To fuel sustainable economic growth by enabling Nova Scotia–based knowledge companies to accelerate the commercialization of their technologies and increase competitiveness in export markets.

Financial capital, and more specifically "access to capital-capacity building," is a key element of InNOVAcorp's charter. Nova Scotia–based companies raised $7 million in venture capital financing in 2004. In 2005, they raised $18.7 million. In 2006, that number increased by more than 40 per cent to reach $24 million, and it levelled off in 2007, with $17.3 million. (Source: Thomson Financial, 2008). InNOVAcorp continues to play a key role in this "access to capital" turnaround. Through the management of the Nova Scotia First Fund (NSFF), InNOVAcorp operates as an active and effective venture capitalist. Since the fund was recapitalized in 2003–2004, InNOVAcorp has approved and invested more than $6.2 million in promising early-stage companies based in Nova Scotia.

Strategic Goals

Two broad strategic goals drive InNOVAcorp's activities:

- to fuel sustainable economic growth by enabling Nova Scotia–based knowledge 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

Core Business Areas

High Performance Incubation (HPi)™ Business Model

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

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

1. Nova Scotia–based early-stage company
2. business plan credibility, management experience, and entrepreneurial track record
3. unique proprietary technology (product, system, and/or service), with defendable intellectual property and/or a high barrier to competitive entry
4. large national/international addressable market
5. high probability of obtaining a fully funded business plan

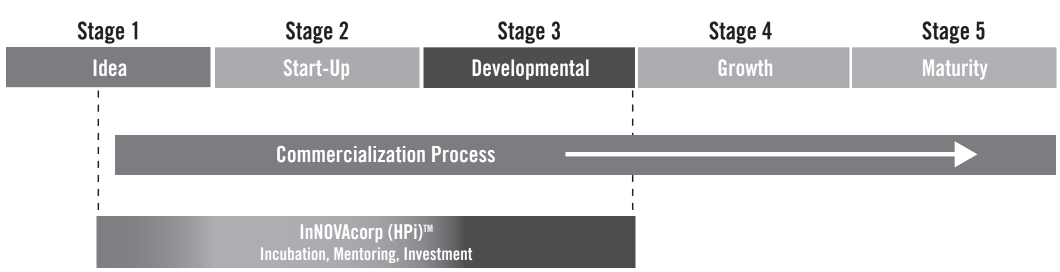
Incubation

As an active member of both 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 (IT) 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 (currently occupied by Ocean Nutrition Canada)

With an ideal blend of business services, professional development and networking opportunities, and relevant resources, these centres offer the infrastructure and environment that emerging technology companies need to grow.

Stages of Growth



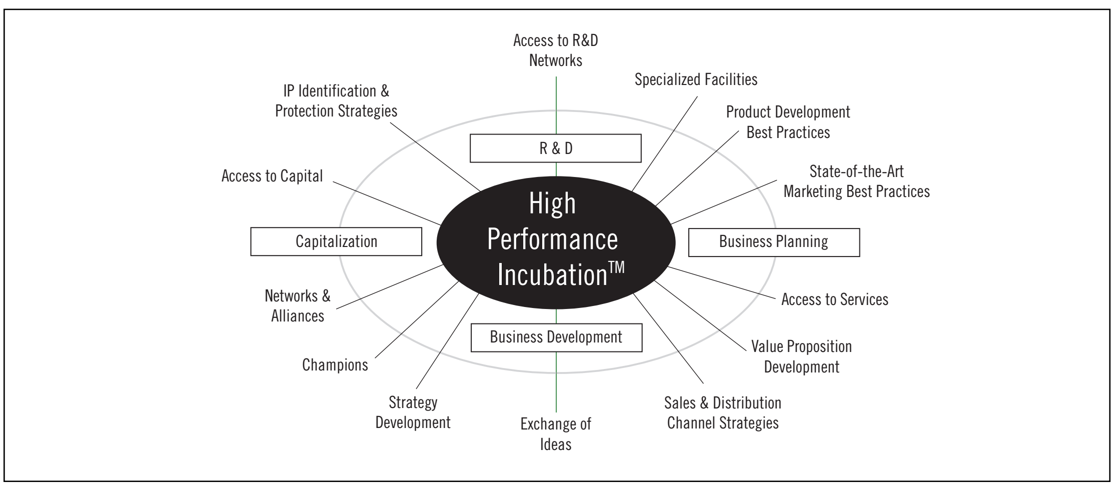
Clients located across Nova Scotia, while not all physically located in our incubation facilities, can benefit from InNOVAcorp's business services and can be candidates for mentoring and investment.

In 2006–2007, InNOVAcorp completed Phase I of the Woodside Knowledge Park by accommodating the Ocean Nutrition Canada (ONC) micro-encapsulation facility. During 2007–2008, InNOVAcorp facilitated an agreement to develop the Highway 111 Mount Hope extension, which, in the summer of 2008, will provide direct highway access to the Knowledge Park. The completion of this valuable link will allow InNOVAcorp to recruit additional businesses to the Knowledge Park, maximizing cluster synergies.

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

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

At the end of 2007–2008, InNOVAcorp's incubation facilities stood at 88 per cent occupancy. Tenants typically "graduate" from the incubation facility as they progress through the third stage of the business development cycle In 2008–2009 InNOVAcorp will strive to maintain occupancy of its incubation facilities at approximately 91 per cent, enabling the corporation to offer incubation services to new clients and allowing the tactical expansion of existing clients.



Mentoring

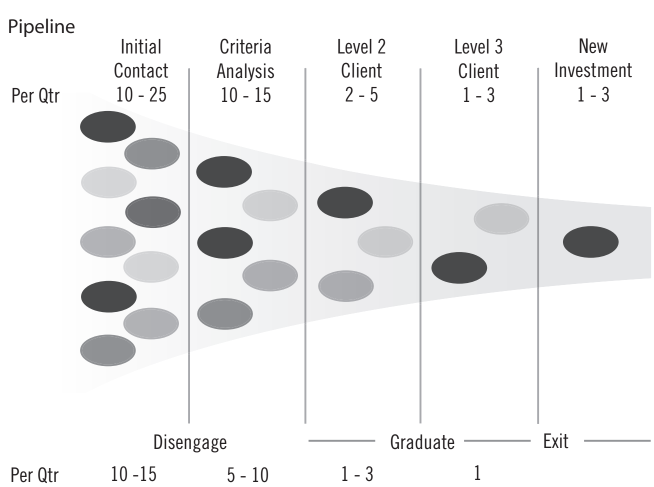
Through its business advisory services, InNOVAcorp offers high-potential early-stage technology businesses the hands-on support they need to grow. By leveraging InNOVAcorp's corporate knowledge base and our expanding network of private-sector advisors, our mentoring program helps clients find more direct 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 2007–2008, InNOVAcorp provided advisory services and relationship management support to more than 120 Nova Scotia–based early-stage companies and reviewed and advised 22 university research-level projects.

The illustration below depicts InNOVAcorp's typical pipeline flow. During 2007–2008, 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 2008–2009 InNOVAcorp will continue to strengthen its go-to-market expertise in key sectors, such as information and communications technology (ICT), life sciences, and clean technology. InNOVAcorp will continue to leverage our refined internal processes and tools to maximize efficiencies and strategically expand the in-house team based on the support requirements of our clients. Business expertise in the community and abroad will continue to be accessed to efficiently and effectively build a robust external mentoring network.

Early Stage Commercialization Fund
In conjunction with Nova Scotia Economic Development, InNOVAcorp will continue to manage the Early Stage Commercialization Fund (ESCF) to review, advise, and support the early-stage technology commercialization of the best post-secondary institution research.

Working closely with the province's 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 be apparent.

ESCF Objectives

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

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.

I-3: Idea, Innovation, Implementation
InNOVAcorp will continue to support rural innovation through co-management of the Nova Scotia Co-operative Council's Proof-of-Concept Fund and by working closely with the regional development authorities throughout the province.

Created and managed by InNOVAcorp, the first pilot I-3 Technology Start-up Competition, which targeted Cape Breton innovators, was launched on March 2, 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, to industrial and energy innovations.

In 2007–2008, InNOVAcorp launched a province-wide I-3 competition to identify and support high-potential early-stage Nova Scotia–based companies and help fuel entrepreneurial activity across the province. The competition took place simultaneously in five geographic zones and attracted 121 formal submissions.

The breakdown of submissions from across the province is as follows:

- 14 submissions from Zone 1 (Cumberland, Colchester, Pictou, Antigonish, and Guysborough counties)
- 17 submissions from Zone 2 (Lunenburg, Queens, Shelburne, and Yarmouth counties)
- 18 submissions from Zone 3 (Digby, Annapolis, Kings, and Hants counties)
- 55 submissions from Zone 4 (Halifax Regional Municipality)
- 17 submissions from Zone 5 (Victoria, Cape Breton, Inverness, and Richmond counties)

Each first-place zone winner received $100,000 in a combination of cash and in-kind contributions. Each second-place zone winner received $40,000 in a combination of cash and in-kind contributions. These awards are to be used towards the establishment or further development of the start-up venture. At the end of the competition, one provincial winner selected from among the five first-place zone winners was awarded a $100,000 seed equity investment from InNOVAcorp's HPi Microfund.

During the planning stages of the competition, InNOVAcorp developed partnerships with over 25 professional service firms from across Nova Scotia to deliver in-kind 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 will provide hands-on venture guidance and assistance to the winners in their region in the form of legal, accounting, marketing, human resource, and other consulting services.

I-3 Competition Learnings

- I-3 submissions primarily fell in one of three industry sectors: information and communications technology (ICT), life sciences, and advanced manufacturing. Interestingly, these sectors are considered by many to represent the future of Nova Scotia's knowledge economy.
- Approximately 20 per cent of the I-3 submissions fell into the emerging sector of clean technology, meaning that the submission's product or service core

value proposition included a positive environmental impact. The submissions involved ways to reduce greenhouse gases through renewable energy generation, products that use renewable raw materials, and/or products and services that significantly reduce energy consumption over alternatives. The emphasis on clean and green speaks to the markets' strong demand and related business opportunity for cleaner and greener products.

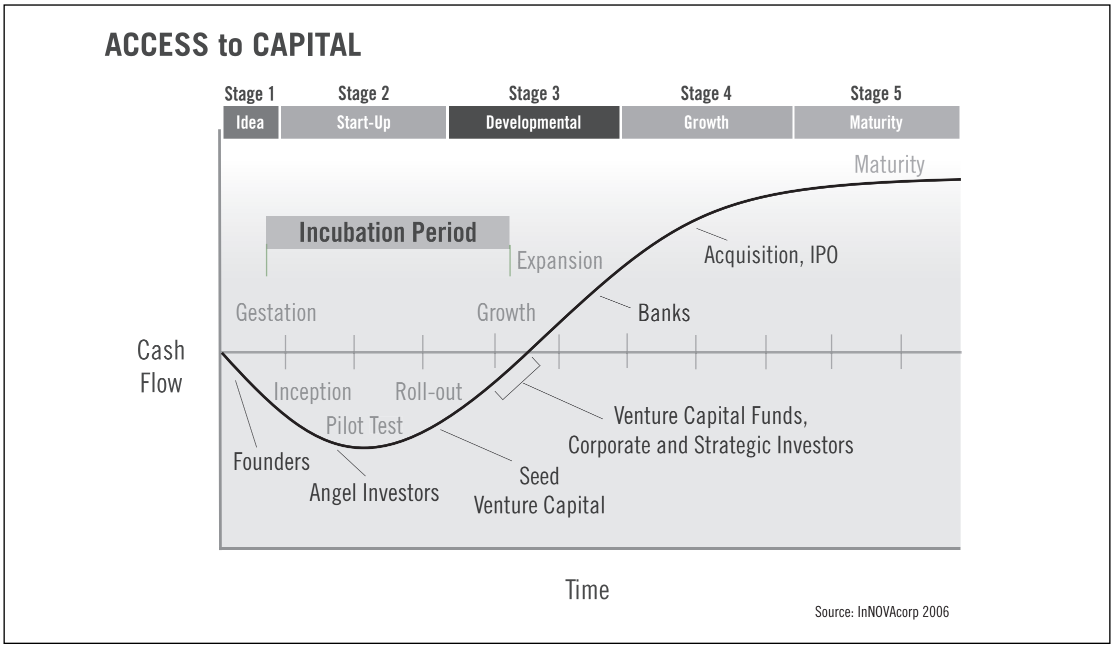
- I-3 submissions were generally evenly split between business-to-consumer (B2C) vs. business-to-business (B2B) customer segments. Further, the majority of submissions were targeting national and international markets. This diversity and global scope is very positive and demonstrates the entrepreneur's understanding of the global business community.
- Forty-five per cent of I-3 submissions already had working prototypes.
- While InNOVAcorp's total submission expectations were significantly surpassed, as a result of the exposure gained by the I-3 competition, the organization continues to receive additional start-up company inquiries from across the province.

In 2008–2009, it will be critical for InNOVAcorp to scale its HPi business model so the highest-potential I-3 submissions access our commercialization expertise and all I-3 submissions are provided value-added guidance that will allow them to take the next positive steps for their initiatives.

Industry-led R&D and Commercialization

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

In 2008–2009, InNOVAcorp will continue to provide SR&ED technical assistance in partnership with expert third-party financial advisors to ensure that Nova Scotia–based knowledge 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 of between $100,000 and $1 million. 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 $96 million in risk and venture capital. Since its recapitalization in 2003–2004, the fund has leveraged $22 million of investment ($12.4 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–based companies raised $7 million in venture capital financing in 2004. In 2005, they raised $18.7 million, in 2006 that number further increased by more than 40 per cent to reach $24 million, and it levelled off in 2007 to $17.3 million. (Source: Thomson Financial, 2008) The average venture capital deal size in Atlantic Canada has increased more than 25 per cent since 2004, surpassing the growth of deal size nationally. InNOVAcorp continues to play a key role in this "access to capital" turnaround.

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

Priorities for 2008–2009

In 2007–2008, InNOVAcorp strengthened its role as the "go to" organization for technology commercialization.

Through effectively scaling our services, and by increasing the value we bring to collaborations with academic institutions and the private and public sectors, in 2008–2009 InNOVAcorp will increase its positive impact on the Nova Scotia economy through five priorities:

1. Enhance the scalability of the HPi™ business model
2. Operationalize our clean technology practice
3. Maximize the sustainability and economic impact of the Nova Scotia First Fund
4. Complete planning for the development of a new bioscience enterprise centre
5. Monetize university research and entrepreneurial activities

1. Enhance the Scalability of the HPi™ Business Model

Current State: The InNOVAcorp HPi™ business model is recognized as a best practice technology commercialization approach. The model comprises three interwoven resources—incubation infrastructure, business mentoring, and seed/venture capital investment. In order to maintain the client engagement quality of the current and anticipated 2008–2009 client pipeline, InNOVAcorp will focus on maximizing its value add while scaling up its HPi business model to fuel sustainable economic growth.

Priority areas for the coming year are to improve management of the existing pipeline to ensure that opportunities with the most commercialization potential receive the right amount of support, continue to develop a more robust third-party resource base of subject matter experts, work with companies that made I-3 competition submissions to identify and support those with the most commercial potential, and continue to improve the industry relevance of the in-house team.

Desired State: Optimal scale achieved to maximize benefit for clients and return on investment for InNOVAcorp. The InNOVAcorp HPi business model is the most effective technology commercialization practice in North America.

2. Operationalize Our Clean Technology Practice

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

Related to the focus and momentum of all things green, a new sector has emerged. Clean technology has quickly become the leading venture investment category globally, with billions of dollars of venture capital already invested into clean technology companies. Clean technologies are innovations that improve a business's productivity, efficiency, and economic performance while reducing natural resource use, energy consumption, and the production of waste and hazardous materials. InNOVAcorp, through its HPi™ business model, has observed significant growth in the number of Nova Scotia–based knowledge companies whose core value proposition is based on a clean technology angle. Innovations that look to decrease the amount of energy required, improve sources for renewable energies, and produce more environmentally friendly materials are examples of clean technology opportunities for Nova Scotia. InNOVAcorp has been working in the clean technology sector at a modest level for more than three years.

Desired State: InNOVAcorp will formally operationalize its clean technology practice in the 2008–2009 fiscal year, enabling start-up companies in this field to tap InNOVAcorp's business-building services and expertise.

3. Maximize the Sustainability and Economic Impact of the Nova Scotia First Fund (NSFF)

Current State: One of InNOVAcorp's key assets is the Nova Scotia First Fund (NSFF) combined with seed and venture capital investment expertise. The fund is being managed so that investee companies benefit from operational and financial due diligence and mentoring and are better prepared to approach other investors. Investments are designed to provide return on investment and cash-on-cash monetization on exits. The high number of undercapitalized venture-grade opportunities and their related inability to meet operational objectives is resulting in a poor investment track record for the region.

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

- Managers of the NSFF will continue to make inroads to position Nova Scotia as a burgeoning hub of R&D and market-driven innovation.
- Our investment approach will continue to be to invest in the most innovative opportunities showcasing Nova Scotia's know-how and offering the highest potential of commercial success. In addition, our strategy will focus on opportunities that shape, influence, and capitalize on the ever-changing market demand for innovative products and services.
- We will continue to expand our network of syndicate partners, with the aim of continuing to broaden the investor base of venture-grade opportunities in Nova Scotia.
- Our investment strategy will continue to strive to increase the size of venture rounds in Nova Scotia on a deal-by-deal basis by leveraging our capital.
- InNOVAcorp continuously evaluates all options available to expand its investment capacity. During the upcoming year, we will recommend and implement a fund strategy that will maximize leverage, optimize capital deployment, and maximize the long-term sustainability of the NSFF going forward.

4. Complete Planning for the Development of a New BioScience Enterprise Centre

Current State: The BioScience Enterprise Centre provides special facilities, infrastructure, and services that are critical to the growth and success of its resident life sciences clients. InNOVAcorp has successfully recruited new life sciences clients to achieve 76 per cent occupancy in March 2008, while maintaining break-even operational funding status. Waterfront development plans require the BioScience Centre to relocate. Relocation scenarios have been considered, and a new BioScience Centre is to be constructed and ready for occupancy in April 2011.

Desired State: Create a seamless, on-budget, one-move transition into a new building that allows for expansion and minimum inconvenience for existing tenants, attracts new high-potential early-stage companies, and maximizes synergies with industry, academic, and institutional life sciences research activities.

5. Monetize University Research and Entrepreneurial Activities

Current State: Nova Scotia is home to 11 universities and a strong community college system with 13 campuses across the province. Approximately $120 million in research is conducted at these institutions each year. While the local economy certainly benefits from the education of our young people, the attraction of world-class researchers, and the direct and indirect employment generated by post-secondary institutions, the economic benefits derived specifically from applied research are relatively low. Over the past three years, both the provincial and federal governments have invested in infrastructure designed to increase the commercialization of university research. The real-world "business-building" component of university and college curriculum is lacking, and there are few formal ties between university research and the innovation capital markets.

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

	2007–08 ($) Estimate	2007–08 ($) Forecast	2008–09 ($) Estimate
Revenues			
Provincial funding	4,557,000	4,557,000	4,666,000
NS funding recognized (deferred) re capital assets acquired	428,000	428,000	271,000
Incubation	1,716,000	1,716,000	1,620,000
Mentoring	62,000	125,000	125,000
Product engineering	237,000	237,000	237,000
Software sales and services	400,000	400,000	400,000
	$7,400,000	$7,463,000	$7,319,000
Expenses			
Incubation	1,673,000	1,673,000	1,677,000
Mentoring	1,447,000	1,447,000	1,366,000
Investment	483,000	483,000	574,000
Product engineering	222,000	222,000	208,000
Software sales and services	400,000	400,000	400,000
Corporate services	1,811,000	1,811,000	1,843,000
	$6,036,000	$6,036,000	$6,068,000
EBITDA			
Provincial funding	4,557,000	4,557,000	4,666,000
NS funding recognized (deferred) re capital assets acquired	428,000	428,000	271,000
Incubation	43,000	43,000	(57,000)
Mentoring	(1,385,000)	(1,322,000)	(1,241,000)
Investment	(483,000)	(483,000)	(574,000)
Product engineering	15,000	15,000	29,000
Software sales and services	—	—	—
Corporate services	(1,811,000)	(1,811,000)	(1,843,000)
	$1,364,000	$1,427,000	$1,251,000

	2007–08 ($) Estimate	2007–08 ($) Forecast	2008–09 ($) Estimate
Non-Operating Items			
NSFF total return	(190,000)	(453,000)	(174,000)
Post-retirement benefits and long service award	(237,000)	(237,000)	(237,000)
Amortization	(782,000)	(782,000)	(663,000)
Interest income (expense) dividends and capital gains (losses)	(430,000)	(430,000)	(452,000)
	(1,639,000)	(1,902,000)	(1,729,000)
Surplus (Deficit)	**(275,000)**	**(475,000)**	**(275,000)**

Outcomes and Performance Measures

This section outlines the performance measures InNOVAcorp will track in 2008–2009. Using 2005–2006 as a baseline, these economic impact, client satisfaction, and leading indicator metrics will provide an indication of how well the strategic goals are being met. The priorities and the operational plan to achieve them are presented in this document under the section titled *Priorities for 2008–2009*.

Measure	Base Year 2005–06	Actual 2006–07	Actual 2007–08	Target 2008–09
Economic Impact Metrics				
Revenue generated by client companies:				
While most of InNOVAcorp's clients are early-stage companies, this measure tracks the annual revenue, measured in millions of Canadian dollars, generated by current and graduate client companies.	$120 million	$174 million	$225 million	$240 million
Employment generated by client companies:				
This measure tracks the annual employment generated by current and graduate client companies.	860	1183	1500	1600
Total employment payroll of current and graduate client companies:	$40 million	$52 million	$62 million	$70 million
Amount of Nova Scotia First Fund (NSFF) leveraged investments:				
From February 1996, the cumulative amount of investment made in client companies in which investments were made by the NSFF, measured both in ratio and in millions of Canadian dollars. InNOVAcorp's stated goal is to achieve a ratio of 1:3, meaning that for every $1 invested by the NSFF, $3 would be invested by syndicated investors.	$83.8 million	$93.0 million	$96.3 million	$101.3 million
Client Satisfaction Metrics				
Percentage of clients satisfied with InNOVAcorp services overall:				
Measured annually through a survey conducted by an objective third party, clients are asked for their feedback on InNOVAcorp's performance and value add. At the end of the survey, clients are asked to rate their overall satisfaction with the services provided by InNOVAcorp. This metric is considered to be a key indicator of InNOVAcorp's value add.	89%	92%	92%	91%

Measure	Base Year 2005–06	Actual 2006–07	Actual 2007–08	Target 2008–09
Percentage of clients that would recommend InNOVAcorp to a business colleague: Measured annually through a survey conducted by an objective third party, clients are asked for their feedback on InNOVAcorp's performance and value add. At the end of the survey, clients are asked whether they would recommend the services of InNOVAcorp to a friend or colleague. This metric is considered to be a key indicator of InNOVAcorp's value add.	90%	93%	88%	91%
Leading Indicator Metrics ***Number of early-stage Nova Scotia-based companies InNOVAcorp engaged during 2007–08.***	85	106	158	200
In addition to the companies referenced above, InNOVAcorp provided value-added guidance to a number of companies that made submissions to the province-wide I-3 competition.			121	
Number of new clients	12	15	11	15
Number of active HPi™ clients	30	38	43	45
Incubation occupancy levels	85%	91%	87%	90%
Number of clients exporting products/services internationally	42	47	46	45

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

Crown Corporation
BUSINESS PLANS
FOR THE FISCAL YEAR 2008–2009

Nova Scotia Business Incorporated
Business Plan 2008–2009

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Mission

A strong, prosperous, and competitive Nova Scotia.

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

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*

Link to the Corporate Path

NSBI's approach to business development across the province directly supports the provincial corporate path. In all of its activities, NSBI's primary goal is to create sustainable, long-term prosperity for the people of Nova Scotia.

NSBI launched its new five-year plan in fiscal year 2007–2008, which covers the 2007–2012 timeframe and outlines the organization's direction for the coming years. Now it's not just about jobs, but it's about working with businesses to create the right type of jobs. For this reason, NSBI's key accountability metric is not just job creation, but total payroll created and retained by its clients. This captures not only job numbers, but also average salaries.

The new target is $800 million in total client payroll created and retained over the next five years. The total payroll metric is a more strategic measurement tool for NSBI. It ensures that the organization is focused, aligns business units, and gives NSBI a unified purpose.

Planning Context

Economists appear divided on whether or not the U.S. economy is headed for a full-blown technical recession or a prolonged slowdown. In any event, the ripple effects of a U.S. consumer slowdown have already been felt and will continue to work their way through economies around the globe.

U.S. economic conditions present the single largest risk to Canadian economic growth prospects. The manufacturing sector has borne the brunt of the slowdown in U.S. consumer demand, particularly those companies making non-durable consumer goods from resource-based commodities. This said, there seems to be confidence that the Canadian economy will remain fairly strong, buoyed by overall strong job growth and wage gains.

The Nova Scotia economy turned out a sub-two per cent GDP growth in 2007 due to more sluggish than expected consumer spending and a decline in business investment. Employment was up 1.3 per cent (+5,800), with gains spread fairly evenly across both the goods- and services-producing sectors. Despite cost competitiveness and productivity challenges, manufacturing employment increased (+2,300). Industry diversification, the return of newsprint production, and increased production in transportation equipment, aerospace, and electronics are cited as positive contributing factors.

Economic forecasters peg Nova Scotia's economic growth at a rate equal to or above the forecast national GDP growth in 2008. Employment growth is also expected to be slightly stronger. Bright spots include reasonably strong retail sales and a rebound in business investment.

Key economic risk factors include the following:

- The rapid appreciation of the Canadian dollar in relation to the U.S. greenback has negatively impacted the competitiveness of a number of Nova Scotia's industries—both services and goods producing. Exchange rate changes have had the greatest impact on companies that value their revenues in U.S. dollars and their costs in Canadian dollars. For many years, the exchange rate differential provided a comfortable buffer for Nova Scotia companies, which hid real productivity challenges. However, in a "dollar at par" world, these productivity weaknesses have been exposed.
- There is a single-market reliance on the U.S., as close to 80 per cent of Nova Scotia's exports go to the U.S.
- On the manufacturing side, producers of non-durable consumer goods, such as food, paper, and forest products, have been particularly vulnerable to exchange rate and cost competitiveness factors. The impact on the manufacturing sector is also being felt disproportionately in some areas of the province.
- Foundation industries are in transition, with global competition, cost issues, and softening market demand impacting the landscape. The release of a pool of labour is often the outcome and requires labour transition models to assist affected communities.
- Many Nova Scotia companies are indicating that they are having difficulty acquiring skilled employees. Work needs to continue to assure that the needs of Nova Scotia employers are best met by our primary sources of labour supply—the schools, community colleges, and universities. Nova Scotia employers also need to have realistic

expectations regarding the skill sets and experience of the available labour pool. On-the-job training and other flexible work place training options will help employers recruit and retain the loyal employees they need.

Core Business Areas

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

The trade development team collaborates with other agencies and organizations that share the common goals of increasing exports from the province. Not only does the trade development team work co-operatively with its partners to deliver results, it also directly administers programs. These programs, including NSBI-led trade missions, are specifically targeted at assisting Nova Scotia exporters to explore new business opportunities in export markets.

Located in offices across the province, the business advisory team is the front-line contact for Nova Scotia companies. Business advisory personnel work closely with the trade development, business financing, venture capital, and investment attraction teams to jointly meet client needs. The team takes a proactive approach to business development and is highly skilled at building partnerships and assisting businesses through a variety of services.

NSBI's business financing team offers flexible financial tools ranging from loans to guarantees to payroll rebates for the purposes of competitiveness initiatives. The team works directly with companies to structure financing packages with terms and conditions tailored to their specific needs. NSBI's financial solutions assist in bridging financial gaps in the marketplace and are often provided in partnership with other financial institutions.

As a mid- to late-stage investor with the ability to do follow-on investments, NSBI's venture capital team focuses on a variety of sectors and growth opportunities. The team provides capital, strategic direction, and advice to help promising companies achieve their full potential.

Attracting sustainable, export-oriented, and value-added business investment to the province is the main objective of the investment attraction team. In pursuing this goal, NSBI takes a targeted and aggressive approach to attract businesses that have a strong "fit" with Nova Scotia's key assets. In this role, NSBI proactively promotes the competitive advantages of doing business in Nova Scotia.

To support the core focus of working directly with businesses to deliver results for the province, NSBI identified five additional areas in its five-year plan that will play important roles in shaping the province's economic growth over the coming years: regional growth, competitiveness, talent, leadership, and collaboration.

Strategy and Priority Areas

Investment Attraction

The investment attraction team will continue to target three key sectors: financial services, IT, and defence and aerospace. NSBI will remain close to the Atlantic Gateway file in an effort to better understand the investment attraction opportunities. NSBI is also interested in investigating opportunities in advanced manufacturing, green technologies, or others that may be applicable to Nova Scotia. As such, the organization will continue to be opportunistic and will pursue projects with a strong return on investment that represent a benefit to Nova Scotia.

Given the current value of the Canadian dollar and its effect on the province's cost competitiveness compared to other nearshore destinations, NSBI will continue to broaden its geographic focus from traditional Canadian and U.S. markets and pursue opportunities in markets such as Europe and Asia.

Business Advisory

NSBI's business advisory team is located in six offices across Nova Scotia and is the front line for much of NSBI's interaction with Nova Scotia companies. For the upcoming year, NSBI will continue to engage in an aggressive visitation program to seek out Nova Scotia companies with business opportunities.

NSBI will also continue to work with Nova Scotia companies to push forward the opportunity development cycle. The team is networked with local stakeholders including other government agencies, financial institutions, chambers of commerce, and legal professionals, for example, and can therefore recommend external programs and products for clients as appropriate.

Trade Development

With the appreciation of the Canadian dollar versus the U.S. dollar, the traditional U.S. market for trade clients is becoming less attractive. To help address this situation, NSBI will continue to look to new, more complex markets for clients in destinations such as the Caribbean, the United Arab Emirates, and China. NSBI also plans to add additional expertise to focus on growing the service export market and to assist clients in identifying new markets.

For this year, NSBI will also develop an aggressive campaign to promote existing programs and services, and this, in addition to the Nova Scotia Economic Development trade promotion campaign scheduled for fiscal year 2008–2009, will assist in increasing participation in trade programs.

In 2007–2008, two new trade programs—Go-Ahead Program and ExportAbility—were launched. Both are multi-sector programs funded by Nova Scotia Economic Development and administered by NSBI. To continue to effectively meet client needs, NSBI will continue to look for new product offerings that assist in overcoming gaps in the marketplace. This includes, for example, further investigation of developing a certification-based program to assist clients overcome barriers to entry in export markets.

Business Financing

In the coming year, the NSBI business financing team will continue to look for ways to streamline processes, improve delivery time to clients, and as a result, deliver a financial product to the marketplace in a timely and efficient manner. Financing proposals will also continue to be assessed using a broader net economic benefit model that more accurately assesses the total impact to the province of undertaking the transaction.

In fiscal year 2007–2008, modifications were made to the payroll rebate to encourage Nova Scotia businesses to undertake productivity enhancements and thereby improve competitiveness. NSBI intends to work with partner agencies like the Canadian Manufacturers and Exporters (CME) to promote this modified tool. NSBI expects the need for this innovative tool to increase in fiscal year 2008–2009.

Venture Capital

In fiscal year 2007–2008, NSBI's equity team was rebranded as NSBI Venture Capital to help clients and prospective clients better understand the role NSBI can play in meeting their venture capital needs. NSBI Venture Capital invests in mid- to late-stage Nova Scotia companies seeking growth capital. NSBI's approach is to assume a non-controlling interest and partner with entrepreneurs and investment partners. Companies are eligible for venture capital if they are rapidly evolving and growing within their market and have a sustainable competitive advantage with a defined, defensible market niche.

For the coming year, the organization will continue to focus on companies in the ICT, defence and aerospace, energy, advanced manufacturing, and life sciences sectors. NSBI will also look at ways to invest in companies in the emerging "green" sector. Promoting NSBI Venture Capital to prospective clients and strengthening relationships and key connections with venture capital and private equity firms in other jurisdictions remain key priorities in fiscal year 2008–2009.

Marketing and Communications

In fiscal year 2007–2008, NSBI continued to take a more electronic, technology-focused approach to communications, including an enhanced website that offers a higher level of usability and functionality. The team will continue to identify new and more technology-enhancing methods of communication for the coming year.

In addition, NSBI will continue to support the needs of all front-line business units. This includes, for example, the enhanced activity of the trade development and investment attraction business units as they aggressively identify and pursue new international markets and the increased focus on regional growth.

Corporate Services

NSBI's corporate services team is responsible for the management of NSBI's inventory of property holdings across the province. This includes industrial parks, industrial malls, and other holdings such as undeveloped land. Since NSBI's creation, the organization has acted as a caretaker for the inherited land portfolio and has worked with regional partners to determine how the parks and malls can be controlled locally so these assets tie into regional growth plans. This level of collaboration among regional partners will continue for the coming year.

NSBI has not significantly upgraded its internal IT structure since its inception in 2001. In order to continue to effectively fulfill its mandate, and to remain flexible to meet client needs, NSBI intends to undertake necessary upgrades in hardware and software during fiscal year 2008–2009.

Human Resources

NSBI remains fully committed to maintaining its results-oriented corporate culture. The organization's employees are highly motivated, professional, and experienced individuals. They remain NSBI's greatest asset.

Professional development and training that benefit both the employee and the organization are critical to the ongoing success of NSBI. For fiscal year 2008–2009, the organization will continue to invest in staff to ensure they are prepared with the most up-to-date industry-specific knowledge, techniques, and principles to ensure continued success for NSBI clients.

Overall

Regional growth and leadership are key pillars of NSBI's new five-year plan and are designed to build a foundation for business development activity in all areas of the province—both urban and rural. Specific objectives include assisting business communities across the province to be investment ready, identifying core strengths and weaknesses for each business community (i.e., asset mapping), and systematically addressing the identified weaknesses and concentrating on strengths in order to recognize business opportunities. Tactics for fiscal year 2008–2009 include using the payroll rebate to encourage business productivity enhancements; updating regional business cases to include sharpened local value propositions and developing a playbook for new opportunities; a head office visitation program of foreign-direct investment businesses to understand growth opportunities; ongoing work with partner agencies that includes knowledge transfer (e.g., venture capital or marketing expertise); and a prioritized business visitation program by region.

Talent is another key pillar of NSBI's five-year plan. Nova Scotia's success in attracting world-class companies to the province and helping homegrown companies succeed on the world stage is based on the availability of an educated and knowledgeable workforce. The organization recognizes that the search for talent is becomingly increasingly more difficult. In fiscal year 2008–2009, NSBI intends to work more closely with clients to plan and execute strategies to assist them in meeting their needs for skilled and educated labour. Through this proactive approach, clients will have more relevant and timely data on the availability of labour, while at the same time assisting NSBI in working with partners to develop and implement strategies to address shortages.

Strategic Investment Funds (SIFs) are a tool used to attract businesses and foreign-direct investment to the province and to retain existing Nova Scotia–based businesses. The payroll rebate is the primary financing tool available under the SIF. It is a performance-based incentive vehicle intended to promote targeted creation or retention of employment and payroll. In fiscal year 2007–2008, the minimum job threshold was revised to 20 FTEs and, consistent with the competitiveness pillar of the five-year plan, the tool was expanded to include discretionary terms and conditions for companies that undertake improvements (e.g., new equipment) to increase competitiveness and become stronger international competitors. Payroll rebate details can be found in Appendix 1; while details on the interest rebate, the second financing tool of the SIF, are included in Appendix 2.

The Nova Scotia Business Fund is the source of capital for NSBI's business financing and venture capital clients. The portfolio currently has approximately $166 million outstanding to over 100 companies located throughout the province. For fiscal year 2008–2009, net new capital needed for NSBI to continue to meet the financing needs of Nova Scotia businesses is estimated to be $20 million, with repayments of current outstanding investments estimated to be in the $7.5–15 million range.

Guidelines for the Nova Scotia Business Fund provide direction for investment decisions and the makeup 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.
- 25% maximum available for working capital/equity investments.
- Borrowing rates are established based on risk, term, and optionality (e.g., interest capitalization, principal holiday, extended amortization)

Finally, collaboration is a pillar of the five-year plan and touches all areas of the organization's activity. NSBI will continue to work closely with partner organizations and agencies across all areas of the province to assist with meeting its mandate.

Budget Context

Nova Scotia Business Inc. Budget Summary

Fiscal Year 2008–09

	Estimate 2007–08 ($ 000)	Forecast 2007–08 ($ 000)	Estimate 2008–09 ($ 000)
Revenue			
Provincial grants			
Operating grant	9,881	9,881	11,156
Strategic Investment Funds	15,134	14,900	15,134
Loan valuation allowance	1,600	1,600	1,600
NS Business Fund and misc. revenue	11,970	11,088	9,614
	38,585	37,469	37,504
Expenses			
Operating expenses	10,231	10,377	11,506
Strategic investments	15,134	14,900	15,134
Provision for credit losses	1,600	2,600	1,600
NS Business Fund and misc. expenses	8,630	7,696	6,539
	35,595	35,573	34,779
Excess of revenue over expenses	2,990	1,896	2,725

Outcomes and Performance Measures

NSBI holds itself to the highest standards of corporate governance and accountability. As a results-driven organization, NSBI remains fully committed to measuring results that directly impact the goals of the organization. Under the new 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.

By continuing to focus on higher-value opportunities, NSBI can assist in creating significant new taxes for Nova Scotia. These taxes can be used to invest in provincial priorities like health care, education, and infrastructure.

Outcomes and Performance Measures

Overall NSBI Measures

Goal	Indicator	Measure	Base Year Data 2006–07	Targets 2008–09	Strategies to Achieve Target
Overall performance	Total payroll	Total payroll impact of NSBI clients	New metric	$150 million	• Attract companies to Nova Scotia • Help existing companies within Nova Scotia to grow
	Fiscally prudent financing	Average portfolio return on investments utilizing payroll rebates	62.4%	40% or greater	Strategic utilization of payroll rebates to establish growth industries
Attract leading-edge, sustainable business investment to Nova Scotia	Foreign direct investment (FDI) in Nova Scotia	# of companies that relocate part or all of their operations in Nova Scotia	14	15	Seek new sustainable businesses to relocate or expand in Nova Scotia
	Economic benefit to Nova Scotia	Average gross salary of new jobs created through investment attraction	$47,328	$42,500	Develop FDI strategies based on innovation
	Client after care	Annual client review completed	New measure	100% of clients reviewed	After-care strategies

Goal	Indicator	Measure	Base Year 2006–07	Targets 2008–09	Strategies to Achieve Target
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	Volume and diversity of exports	# of clients introduced to new markets or further advanced in existing markets	197 clients	140 clients	Deliver tailored trade development services
	Export sales	Incremental export sales of NSBI export development clients	$86.2 million	$50 million	Deliver tailored trade development services
	Nova Scotia companies expand business within Nova Scotia	# of qualified referrals for export development, investment, or financing	99	150	• Proactive business meetings • Continue to build awareness of NSBI in regional NS
		# of qualified referrals to external partner agencies	264	300	• Proactive business meetings • Continue to build awareness of NSBI in regional NS

Goal	Indicator	Measure	Base Year 2006–07	Targets 2008–09	Strategies to Achieve Target
Provide access to capital for new/existing businesses in Nova Scotia, with the intent of enhancing value-added growth for the province's economy	Incremental value investment projects	# of financings with new/existing companies utilizing Nova Scotia Business Fund (debt and venture capital)	17* financings	15 financings	Deliver tailored financing solutions
		# of companies that undertake productivity enhancements utilizing the Strategic Investment Fund	New measure	10 projects	Sharpened business development focus
	Quality portfolio management	Impaired loan ratio	15.7%	15% or less	Portfolio management strategies
		Annual client review completed	New measure	100% of clients reviewed	Portfolio management strategies
	Partner for financing solutions	Leverage ratio of partner: NSBI	Ratio of 0.4:1	Ratio of 1:1	Maintain co-investment philosophy

* Included 14 new NSBI authorizations and 3 NSBI material amendments to existing clients that have a positive net economic benefit to the province.

Goal	Indicator	Measure	Base Year 2006–07	Targets 2008–09	Strategies to Achieve Target
Develop an action-oriented, client-focused organizational culture that encourages, empowers, and supports high performance.	Employee training and development	% of employees participating in training and development programs	91% of employees	95% of employees	Provide and promote training and educational programs
	Business culture—deliver results within cost management structure	Operate within annual operating budget	$10.279 million	$11.5 million	Maximize operating efficiency and cost effectiveness

Appendix 1

Strategic Investment Funds Pursuant to NSBI Regulations, Policies, and Guidelines/Procedures: NSBI 2008–2009 Business Plan

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

Appendix 1 (continued)

Strategic Investment Funds Pursuant to NSBI Regulations, Policies, and Guidelines/Procedures: NSBI 2008–2009 Business Plan

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

Appendix 2

Strategic Investment Funds Pursuant to NSBI Regulations, Policies, and Guidelines/Procedures: NSBI 2008–2009 Business Plan

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

Appendix 2 (continued)

Strategic Investment Funds Pursuant to NSBI Regulations, Policies, and Guidelines/Procedures: NSBI 2007–2008 Business Plan

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

Crown Corporation

BUSINESS PLANS

FOR THE FISCAL YEAR 2008–2009

Nova Scotia Crop and Livestock Insurance Commission

Business Plan 2008–2009

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Message from the Minister and the Chair

We are pleased to present the Nova Scotia Crop and Livestock Insurance Commission's business plan for 2008–2009. The plan outlines the commission's continued commitment to offer Nova Scotia's primary agricultural producers insurance against production losses.

The production insurance product line continues to expand the opportunities for risk transfer in production of agricultural products. The commission continues to expand its product line, offering increased benefits, lower premiums, 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 improve its information management capabilities that were initiated last year. Development of a more robust system is a key factor in meeting the province's commitment to improve customer service and program options under the Production Insurance platform of the Canada–Nova Scotia Implementation Agreement.

The Honourable Brooke Taylor

Minister of Agriculture

Avard Bentley

Chair of the Nova Scotia Crop and Livestock Insurance Commission

Mission

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

Link to the Corporate Path

In support of government objects of creating winning conditions and seizing new economic opportunities, the Nova Scotia Crop and Livestock Insurance Commission strengthens the fabric of rural economies in Nova Scotia by providing agricultural entrepreneurs with the opportunity to cover off the risk of financial losses caused by crop failures. The introduction of new insurance products will provide more farm producers access to production insurance 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 Crop and Livestock Insurance Act.

The commission reports to the Minister of Agriculture and is a key component of the business risk management services that the department offers to the industry. It administers 14 crop insurance plans, a dairy livestock insurance plan, and most recently, a poultry insurance plan. In 2003 the Canada–Nova Scotia Implementation Agreement associated with the National Agricultural Policy Framework (APF) established the Production Insurance platform. The agreement outlines cost-sharing arrangements and administrative requirements that govern the design and delivery of production insurance programs.

Federal and provincial ministers have indicated their desire to expand and strengthen the role of the program to offer more coverage to commercially grown crops and livestock species. In that context, the commission is developing products for crops and/or production systems that have not traditionally been covered under crop insurance.

The commission plans to expand its product line to include insurance options for more crops and animal species, such as the recently introduced poultry plan. We will also introduce new options for conventional cropping situations and a new compensation program for damage done by uncontrollable wildlife and waterfowl.

A 2005 study of administrative best practices in delivery of production insurance programs revealed areas where the commission can improve its service delivery. On the report's recommendation, the commission will continue with the modernization of 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 is now expected to be complete in early 2008.

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 Areas

The core business of the Nova Scotia 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 of the Canadian Agricultural Policy Framework (APF).

Priorities for 2008–2009

The commission's priority is to increase the coverage it offers to Nova Scotia agricultural production. The value of coverage is actively managed by increasing the number of products offered and the range of options available to clients. In support of government's goal of developing 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 expansions and enhancements:

- A Wildlife and Waterfowl Compensation Program will be introduced, which will allow compensation for agriculture products destroyed by uncontrollable Wildlife and Waterfowl. This policy will be finalized and submitted for approval early in 2008. Pending regulatory approval, the commission is targeting introduction of this program in the spring of 2008.

- A new poultry livestock insurance plan to cover infectious laryngotracheitis, a disease that has caused significant hardship to our poultry sector in recent years, was introduced in the fall of 2007. The commission will continue with the implementation of this plan throughout 2008–2009.
- The commission will continue its consultations with industry and the federal government with the goal of including the Dairy Livestock Insurance Plan in the Production Insurance platform, which will allow cost sharing by both levels of government. This will allow producers to take advantage of the 60 per cent government cost sharing on premiums.
- In consultation with industry, the commission will continue to research and develop additional insurance-based products that meet the needs identified by industry. These include development work on insurance plans for the maple, stone fruit, and hog sectors.
- The commission will continue to evaluate and respond to industry needs though expansion of existing plans and the introduction of more flexible options to our clients. These options could include risk splitting, more price options, and/or additional coverage levels.
- To address the specific needs of the horticultural sector, the commission will investigate the development of products that provide more flexible coverage options to the sector, such as value-based coverage and programs for commercial-scale market garden operations that grow a small acreage of many different crops.

Human Resource Planning

Administratively, the commission will review its staffing needs and develop a succession planning strategy that recognizes an anticipated significant turnover within its staff in the next five years. The commission will also review staff training and development needs during the coming year.

Budget Context

The commission budget is included in the budget estimates of the Department of Agriculture. The Implementation Agreement under the APF provides for reimbursement of 60 per cent of the administrative costs relative to production insurance. Premiums paid by clients and by the federal government are not included in the departmental budget figures.

Operational priorities outlined above have been costed and included in the budget estimate.

Estimate of Income and Fund Balances

	Authority 2007–08 (per 2007–08 Estimates Book) ($,000)	Forecast 2007–08 (per 2007–08 Estimates Book) ($,000)	Budget 2008–09 (per 2008–09 Estimates Book) ($,000)
Revenues			
Insurance Premiums paid by Clients	380	500	515
Insurance Premiums Contributed by Government (Federal)	323	419	323
Insurance Premiums Contributed by Government (Provincial)	215	279	215
Interest Income	150	170	160
Total Revenues	1,068	1,368	1,213
Expenses			
Indemnity Claims	1,690	2,144	1,500
Reinsurance Premiums			
Bad Debt Expense	5	1	5
Total Expenses	1,695	2,145	1,505
Net Income (Loss) From Insurance Activities	(627)	(777)	(292)
Crop and Livestock Insurance Fund Balance			
Beginning of Year	6,138	6,409	5,632
End of Year	5,511	5,632	5,340
Administrative Expenses			
Government Contributions (Canada)	501	501	501
Government Contributions (Nova Scotia)	482	682	535
Total Administrative Expenses	983	1,183	1,036
Net Government Expenditure			
Canada (Premium + Administration)	824	920	824
Nova Scotia (Premium + Administration)	697	961	750
Total Program Expenditure	1,521	1,881	1,574

Outcomes and Performance Measures

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

Outcome	Measure	Data Base Year (2004–2005)	Target 2008–2009	Ultimate Target	Strategies to Achieve Target
Increased income stability of farm businesses	Number of farms using production insurance	600	700	750	Improve program effectiveness and flexibility through introduction of non-production-based plans in response to client requests for more options in insurance coverage
	$ value of coverage	$52.5 million	$72 million	$84 million	Introduce poultry insurance, weather-based forage insurance, expanded tree coverage, and higher unit prices and coverage options
	Aggregate coverage level for crop program	80%	83%	84%	Introduce more flexible risk splitting benefits for all crop plans and higher unit prices in response to market conditions
	Number of insurance products available	14	16	18	Introduce a wildlife compensation product.

Crown Corporation
BUSINESS PLANS
FOR THE FISCAL YEAR 2008–2009

Nova Scotia Farm Loan Board
Business Plan 2008–2009

Contents

Message from the Minister and Board Chair

We are pleased to present the Nova Scotia Farm Loan Board business plan for 2008–2009. The plan outlines the board's goals and priorities for the coming year in line with its mission and mandate.

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

The Hon. Brooke Taylor

Minister,
Department of Agriculture

Mr. Leo Cox

Chair, Nova Scotia Farm Loan Board

Mission

To advance, encourage, and support the development of agricultural and timber businesses in Nova Scotia.

Vision

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

Mandate

The board operates as a corporation of the Crown under the authority of the Agriculture and Rural Credit Act (*Revised Statutes of Nova Scotia*, 1989, Chapter 7). This act emphasizes rural development and the effective use of credit to develop rural Nova Scotia.

The Timber Loan Board's authority is from regulations made pursuant to the Forests Act (*Revised Statutes of Nova Scotia*, 1989, 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. Day-to-day operations are delegated to staff who are responsible to ensure that conduct, management, and operations meet board and provincial requirements.

Current Board Members

Chair: Leo Cox. Leo has been a member (and chair) of the board since March 2000. His current term began May 2005 and expires April 2011. Leo is from Mabou and has a long background in agriculture, having served with the Department of Agriculture in livestock and extension services for 30 years. He owned a cow-calf farm and is still actively involved in the operation of Lake Mabou Farms. Leo has served on numerous boards and is the current chairman of the Inverness Consolidated Memorial Hospital Charitable Foundation.

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

Member: Hank Bosveld. Hank has been a member of the board since September 2000. His current term began September 2005 and expires September 2008. 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: Stephen Healy. Steve has been a member of the board since November 2003, with his current term expiring November 2009. He lives with his wife and three children in Kentville, where he operates a successful financial planning firm. Steve is a graduate of Nova Scotia Agricultural College and the University of Guelph. He is a past board member of the Annapolis Valley Victorian Order of Nurses and Annapolis Pony Club and is currently a member of the Rotary Club. Community projects such as The Berwick Apple Dome and local hockey programs continue to be of importance to Steve and his family.

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

Our History

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

Availability of credit with stable 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.

Operations and interest rates are managed so as to cover all direct costs of operation and provide a modest net income which offsets indirect costs of services provided by government to the board and provides resources for maintenance of systems and operations. At last year-end (March 31, 2007), the board's total loan portfolio totalled $180 million in loans. Including lease property accounts, total lending to agriculture represents approximately 28.6 per cent of the debt capital of Nova Scotia farmers. Timber loans provided to forest mills to ensure a sustainable wood supply totalled $612,000 for the forest industry.

Primary stakeholders in both the Nova Scotia Farm Loan Board and the Timber Loan Board 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.

Link to the Corporate Path

Globally Competitive Business Climate

The Nova Scotia Farm Loan Board's mandate, mission, vision, and priorities contribute directly to the Province of Nova Scotia's Corporate Path by contributing to the creation of winning conditions in the agricultural industry. By ensuring that long-term stable credit is available on a consistent basis, and by working with the industry through cyclical downturns, the board assists an industry that must be competitive with globally supplied alternatives to survive.

Vibrant Communities

Leader in Clean and Green Economy

In pursuing its main priorities, the board also contributes to the success of rural communities and by supporting development of environmental plans and investment in good environmental choices helps enable environmental improvements within the industry.

Throne Speech Priorities

- Educating to Compete

  Advice and counselling to clients and potential borrowers are considered an important element in the board's service to the agricultural sector. To the extent that clients are better aware of options and opportunities, they are placed in a better position to compete.

- Protecting our Environment

  As noted above, by providing support for environmental planning and investment the board contributes to this priority.

The board contributes to sustainable prosperity by providing access to financing to support rural and agricultural businesses.

Social prosperity is similarly supported through support for investment and business development and opportunities for employment and independence in the rural communities.

Planning Context

External Context

In General

The agricultural industry is affected by local weather and other conditions affecting production and by conditions in competing regions that 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. For the most part, general climatic conditions were favourable in Nova Scotia during the past year. Weather conditions and any change in expected patterns present an obvious concern to agriculture.

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

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

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

Increases in the value of the Canadian dollar relative to the U.S. dollar have made exports to the United States less competitive or less profitable and have reduced the cost of some competitive imports. This is expected to have an affect on most sectors to some extent but will affect commodities most closely linked to external markets most particularly. Hogs, beef, blueberries, cranberries, and other fruit and vegetables for export are expected to be most strongly affected.

Increases in grain prices attributed to use of corn for alternative fuel may assist the relatively small grain-producing sector but will increase input costs for livestock production in general.

Review of Sectors in Which the Board Holds a Significant Value in Loans

Our largest sectors, dairy and poultry, are profitable and benefit from supply-managed marketing systems; however, disease, such as an avian flu outbreak, could have a major impact. In the longer term, World Trade Organization (WTO) agreements and other international negotiations may affect the supply management system, and this in turn may have a significant affect on profit levels and management of risk.

Beef markets have begun to show signs of recovery with the opening of international borders to Canadian beef. The Transitional Assistance Program (TAP) program resulting in \$2.7 million in assistance from the province (2007–2008) to pay down loans will assist producers in their cash-flow position and inject equity into their businesses in order to make changes necessary for future operations. Further efforts in order to assist beef producers in developing, enhancing, and refining their farm business plans should assist in their recovery.

Low returns on hog production became critical in the fall of 2006, and conditions show no signs of improvement. In 2007–2008 the board is receiving loan payments under the \$3.5-million TAP grant program directed to Pork Nova Scotia and the hog producers by the Department of Agriculture and will continue to work with producers in this sector to assist with their transition. Efforts are focused on assisting hog producers in identifying future opportunities inside and outside of the hog industry. The board will work with each individual producer to explore their best options.

Vegetable producers are very affected by seasonal weather conditions but have good potential provided an appropriate marketing strategy is developed. Few producers have sufficient size on their own to supply major wholesalers, but direct and niche marketing including organic production may also be an option.

The blueberries sector is seen as having good profit potential, but does require significant pre-production development costs. Market prices are subject to world markets and expanding competitive production capacity. The long-term outlook for this sector is good, because Nova Scotia has a competitive advantage in production and processing.

Greenhouse production requires strong management skills to deal with international competition, high energy costs, and marketing issues. Lending to this sector is higher risk because of the specialized structures used in the industry.

The tree fruit sector faces strong competition, high costs of production, including labour, and a long delay between investment and initial return. The industry is making a concerted effort to enhance its opportunities to increase returns through new varieties and collaboration within the sector.

The mink industry has enjoyed an increase in demand, and strong prices have continued to date. Price and demand for mink pelts are affected by global supply and demand and tends to be cyclical. The sector is expected to grow over the next few years; however, with increased world production, operational efficiency and long-term commitments will need to be closely monitored.

In addition to the commodities reviewed above, the board's work provides assistance to many other commodities. The board will continue to evaluate new opportunities in primary agriculture and on-farm value-added processing and diversification of farm resources, as well as other development opportunities that fit within its mandate. The board will remain alert to emerging adaptations including those relating to agri-energy, environmental sustainability, and agriculturally related education and recreation opportunities.

Interest Rates

Interest rates remain relatively low, although up from last year. Indications are that rates may decline slightly late in 2007–2008 or early 2008–2009 and then remain relatively stable over the next year. The interest rate situation presents an opportunity for those requiring long-term financing and will tend to support acceleration of capital investment and the trend towards greater reliance on technology. The gap between interest rates for short-term and variable-rate loans has narrowed as compared to longer-term rates such as those provided by the board. It is expected that this will result in greater demand for long-term loans.

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 offers fixed interest loans with rates fixed for the full amortization period of the loan. Variable rates or term lengths of less than the amortization period are not offered, because it is felt that those alternatives increase the risk that clients will be unable to meet future loan payments if rates increase. The board will explore financial options and opportunities as they arise.

Interest Rates Offered by the Board during the Year

Term	April 1, 2007– June 30, 2007	July 1, 2007– Sept. 30, 2007	Oct. 1, 2007– Dec. 31, 2007	Jan. 1, 2008– Mar. 31, 2008
1 to 5 years	6.10 %	6.10 %	6.85 %	6.85 %
6 to 10 years	6.20 %	6.20 %	6.85 %	6.85 %
11 to 15 years	6.35 %	6.35 %	7.00 %	7.00 %
16 to 20 years	6.50 %	6.50 %	7.00 %	7.00 %
21 to 25 years	6.55 %	6.55 %	7.15 %	7.15 %
26 to 30 years	—	6.60 %	7.50 %	7.50 %

Lending by commercial and other lenders has increased significantly over the past few years. It is believed that this has been driven in part by low short-term and variable-rate loan rates and a positive focus on agriculture by other lenders, as well as increased capital asset and quota values. It is anticipated that commercial lending criteria will tighten as a result of the U.S. sub-prime credit situation. Any change in outlook or lending policies by commercial lenders could result in significant request for financing from the board. The board is mindful of the activities of the commercial lenders and will monitor changes in demand.

Projections are for the board to advance $22.6 million in the 2007–2008 fiscal year for a net decrease in the loan portfolio of $3.0 million. Short-term and longer rates have returned to a closer relationship. Demand for board loans has been lower than expected in 2007–2008; however, flexibility is necessary should commercial lending decrease sharply. Requested capital authority of $30 million is expected to provide flexibility to respond to lending needs in 2008–2009.

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, but also because of the relationship between forestry and agriculture. Many farms include woodland as part of the overall operation, and forestry management parallels crop management in many aspects including some equipment.

The board will seek to operate on a cost-effective basis and meet client credit needs, providing counselling services, support to new entrants, analysing risk, and collaborating with departments and industry. A new Human Resources plan, once implemented, will add to the board's ability to meet monitoring, counselling, and analysis needs as they arise. 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 understands its focus to be the long-term health and development of agriculture in Nova Scotia. To support that through our lending program requires that services specialize in knowledge of agriculture, long-term client relationships, a client focus in developing and providing services, flexibility in lending services and repayment, counselling services, and long-term interest rates. The board will continue to assess and develop the client focus and counselling aspects of its service. The board's recently approved Human Resources plan provides for additional resources for analysis, account status monitoring, and business assistance.

The board recognizes that training and development are 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 criteria 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.

Strategic Goals

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

1. *Ensure industry access to stable, cost-effective, long-term 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.

2. *Assist in identification and analysis of growth opportunities for rural industries by promoting the use of financially sound business principles*

To meet industry needs through provision of training and counselling to clients and sponsoring and promoting learning opportunities within the agricultural community.

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

To generate a positive net income as reported in published audited financial statements; administer programs within guidelines and budget; and measure and report on key success factors.

Core Business Areas

Core Business Area 1: Lending:

Providing long-term credit for development of agricultural and timber businesses is the primary mandate of the Farm Loan Board. This includes loan service development, client service and administration, and efficient and responsible financial management. It also includes the distinct but closely integrated area of financial 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, as well as promoting and participating in industry seminars and workshops.

By providing a reliable source of long-term 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.

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 such as the ongoing New Entrants to Agriculture Program and the Transitional Assistance and Ruminant Loan Income Support grant programs, which expire March 31, 2008. This area of responsibility is funded by departmental resources distinct from the board's lending program but administered by board lending staff. Program results are separate from and not included in the board financial report.

Priorities for 2008–2009

1. Lending

Provide up to $30 million of new loan capital to the agricultural and timber industries in the 2008–2009 fiscal year.

The focus is on development and long-term stability. Projections for 2006–2007 indicate that by year-end, loans advanced will total $22.6 million and principal repayments approximately $25.6 million. Interest rates are expected to continue with a slight decline and then stabilize over the remainder of the year. Demand for credit is expected to increase if commercial lenders tighten credit availability as expected.

Statistics Canada reports indicate that total farm debt by Nova Scotia farms grew by approximately 35 per cent between 2001 and 2006. If historical rates of growth in agricultural capital requirements continue, $30 million of new loans will result in the board providing approximately 25 per cent of total agricultural lending in Nova Scotia in 2008.

Financial Counselling

The board will maintain its strengths in our understanding of agriculture, relationships with clients and client focus, flexibility in dealing with individual circumstances, counselling services, and long-term interest rates. Priority focus for 2008–2009 continues to be on our client focus and counselling services.

Timber Loans

The board will continue to work with the Department of Natural Resources to enhance services to modify products and services to meet needs for growth and development within this industry.

Reporting

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

Account Maintenance

The board will manage accounts such that write-offs and arrears remain stable in relation to the portfolio size while maintaining a "patient lender" approach by supporting industries through cyclical downturns.

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.

Contact with and counselling services for clients with repayment difficulties will continue to be a priority in 2008–2009.

2. Program Administration

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

This program, now in its sixth year, provides assistance with loan interest. It is intended to assist up to 50 new entrants to agriculture, including inter-generational transfers in order to provide long-term stability and renewal of farm ownership. Thirty-one applications have been approved during the 2007–2008 year for grants in future years (subject to funding).

Further development of this program in collaboration with the Department of Agriculture, as well as development of other lending initiatives to assist new entrants and farm succession, will continue to be priorities for the board during 2008–2009.

Flexible Loan Programs

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

Human Resource Strategy

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

Within the guidelines of that plan, and recognizing the importance of our human resources, the board has developed an updated Human Resource plan, providing an analysis of staffing requirements. The board's plan provides for increased emphasis on loan monitoring, analysis, and assistance to clients experiencing difficulty. This plan calls for an increase in staff to 21.3 full-time equivalent (FTE) positions. Currently 17.3 FTEs are assigned. The allocation of staff will be reviewed with the Department of Agriculture during the 2008–2009 year.

Implementation of the SAP module has redefined many positions within the board and has increased the technical requirements of some positions. A review of staff requirements and classifications is in progress.

The board will be mindful of the need for succession planning to deal with retirements and opportunities for advancement within the board and government. Succession issues will require introduction of new staff, training opportunities for new functions, and backup plans.

Learning, through training and professional development and by sharing knowledge, is considered a priority of the board. Training funds provide staff with technical training and opportunities to attend appropriate technical and professional workshops and conferences. Officers, staff, and employees are appointed as required for the proper conduct, management, and operations of the board.

Budget Context

Operational Income Statement

2007–08 Estimate $(000)	2007–08 Forecast $(000)	Description	2008–09 Estimate $(000)
11,390	10,863	Interest	11,000
150	150	Insurance operations *	150
582	247	Fee revenue/recoveries *	582
12,122	11,260	Total revenue	11,732
9,800	9,507	Interest	9,640
1,317	1,214	Operating expenses *	1,377
350	7,100	Bad debt expense	350
11,467	17,821	Total expenses	11,367
655	(6,561)	Income (loss) before govt. contribution	365
1,317	8,314	Government contribution	1,727
1,972	1,753	Net income	2,092

Note: 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 budget context comments on the next page.

*Target assigned by the Department of Agriculture

2007–08 Estimate ($ 000)	2007–08 Forecast ($ 000)	Description	2008–09 Estimate ($ 000)
Capital Funds			
189,652	190,739	Opening principal	187,365
30,000	22,600	Add loan advances	30,000
(22,500)	(25,600)	Less repayments	(18,000)
(500)	(374)	Less principal written off	(1,000)
196,652	187,365	Closing principal	198,365
Provision for Impaired Accounts			
10,605	7,796	Opening allowance	14,522
(500)	(374)	Less accounts written off	(1,000)
350	7,100	Additions (principal portion of bad debt expense +/- adjustments)	350
10,455	14,522	Closing allowance	13,872
186,197	172,843	Net portfolio at year-end	184,493

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.

Since the funding arrangement became effective, the board has reported income before government contributions totalling $6.5 million. Forecasts indicate a significant ($6.7 million) loss before government contributions during the 2007–2008 fiscal year as a direct result of difficulties being faced by the hog sector. Having adjusted for expected repayment difficulties within this sector and increased business support to sectors in difficulty, the forecast for 2008–2009 is for a smaller ($365,000) loss before government contributions.

The board is assigned budgetary authority through the Department of Agriculture and is required to conform budget projections to the 2008–2009 budget authority assigned. Fee revenue has been assigned to the board based on historical revenue. Actual revenue will fluctuate depending on economic conditions. The largest fee component, early repayment fees, depends on prevailing interest rates compared with the interest rates on existing loans. Early repayment fees have decreased significantly and are projected to continue at a lower level than in the years immediately following significant rate declines of 2001–2002. This area has been identified to the Department of Agriculture as a budget pressure for 2008–2009.

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. Projections to date are for a recovery of approximately $150,000 in 2007–2008 and a similar amount in 2008–2009. Actuaries have advised that the results of this program will fluctuate from year to year. The board plans to review its current contract and explore options for increased stability in its insurance arrangement during 2008–2009.

The board's structure and number of positions are identified in the Human Resource Strategy section. The required allocation of staff in order to meet the board's mandate for the coming year will be reviewed with the Department of Agriculture. Budgetary allocations are assigned based on staffing now in place.

Core Business 2: Program Administration

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

2007–08 Estimate ($ 000)	**2007–08 Forecast ($ 000)**	**Description**	**2008–09 Estimate ($ 000)**
600	456	New Entrants to Agriculture Program—Expenditures	600
600	600	New Entrants to Agriculture Program—Approvals (grants cover interest in the two years following approval)	600
6,200	6,200	Focussed financial relief/Transitional Assistance Program (grants to retire hog and beef loans)	—
Total Staff			
17.3	17.3	Staff—FTEs	21.3

Financial Management

Effective financial management is a priority for the board.

The board has initiated communication with the Department of Finance for further development of financing arrangements established by memorandum of understanding in 1997 and for clarification of the terms. It is anticipated that these will be completed by March 31, 2008, and if completed, may result in changes in the reporting of income disposition beginning in the year signed.

Implementation of the SAP loans module has resulted in significant changes to business processes, controls, and capabilities. Staff continue to review these changes, seek to find ways to improve the speed and availability of accurate information, and ensure that staff are fully trained to make most productive use of system capabilities. Further development is ongoing and review, testing, and training will be required as change occurs. Internal controls continue to be reviewed to ensure that an appropriate balance has been found in efficiency and effectiveness and documentation is up to date.

Outcomes and Performance Measures

Core Business Area 1 *Lending*

Outcome	Measure	Recent Results	Target 2007–08	Target 2008–09	Strategies to Achieve Target
Efficient program delivery	Net income (before gov. contrib.) as a % of the avg. active loan balance	2005–06: 0.4%. 2006–07: –0.7%* Forecast 2007–08: –3.6* * Includes bad debt expense previously funded by the Department of Finance and excluded. Bad debt expense 2006–07 and 2007–08 both unusually high due to difficulties in the hog sector.	0.3% or above	–0.2% or above (Adjusted to recognize current operating situation.)	• 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 • Minimize operating expenses by efficient operating structure, practices, training, and electronic systems • Income has been negatively affected by reduced payout fees and a substantial increase in the provision for impairment in recognition of potential losses in hog industry loans
Stable, long-term credit available	FLB loans as a percentage of total NS farm debt (based on calendar year data)	Calendar 2005: 27.8% (revised from 25.0%) Calendar 2006: 28.4% Projected 2007: 26.1%	22.5% or greater (target was understated due to an error in the underlying statistics)	26.1% or greater (maintain proportion of total NS farm debt)	• Reasonable long-term interest rates • Trained professional staff available to identify, meet needs for financial counselling and loan assistance • Up to $30 million in new capital support to the industry • Explore flexibility options for loan products • Facilitate transfer of Landbank and ARDA lease program properties to industry ownership • Long-term approach: As short-term interest rates become less attractive and credit available is reduced Farm Loan Board funding is expected to become more in demand

Core Business Area 1 *Lending*

Outcome	Measure	Recent Results	Target 2007–08	Target 2008–09	Strategies to Achieve Target
Successful clients (as indicated by the proportion of accounts in difficulty)	Arrears as % of value of all accounts	2005–06: 3.3% 2006–07: 2.9% Projected 2007–08: 3.0%	3.0% or less	3.0% or less	• Monitor account status, contacting clients in arrears and `referring them to industry resources where appropriate • Maintain contact and work with client to work out arrangements for payment • Include larger arrears accounts in annual review process • Arrears and defaulted accounts will vary from year to year depending on performance of the various agricultural sectors represented in the board's loan portfolio • Working with clients to achieve the best long-term outcome is the board's primary goal and will override short-term arrears goals
	Defaulted accounts held as real estate as % of total of all accounts	2005–06: 2.5% 2006–07: 2.0% Projected 2007–08: 2.7%	3.0% or less	3.0% or less	• Work with clients in arrears or experiencing difficulty to achieve the best chance of success in the long term (see arrears strategies above) • Clear up existing accounts in process for recovery as rapidly as possible subject to legal procedures and fairness processes and timing necessary to achieve the best value
Client satisfaction	Combined results for courtesy, promptness, knowledge, commitment on client survey	2005–06: 96% 2006–07: 94% Projected 2007–08: 95%	90% or above	90% or above	• Monitor survey results • Review procedures for efficiency gains • Compare service results with commercial lenders to identify priorities for improvement

Core Business Area 2 *Programs Administration*

Outcome	Measure	Recent Results	Target 2007–08	Target 2008–09	Strategies to Achieve Target
New entrances facilitated	Number of approved applications	2005–06: 36 2006–07: 36 Projected 2007–08: 35	30–50	30–50	• Counselling by professional loan officers • Industry awareness and monitoring suitability through consultation with industry organizations and representatives • Identify appropriate modifications to existing programs, including budget allocations and additional funding and support mechanisms
Increased interest in farm ownership, start and retain new farmers	Percentage of new entrants assisted in last 5 years remaining in agriculture.	2006–07: 99% (4 new entrants who started since April 2001 have discontinued). 2007–08: 91% (9 new entrants who started since April 2002 have discontinued).	80% or more	80% or more	• Program provides interest rate assistance for first two years on loans acceptable to a lending agency with expectation of repayment • Requirement for business plan
More farms remain in family hands, succession planning is encouraged and pace of consolidation reduced	# of transfers to younger family members using this program	Recent results 2005–06: 15 2006–07: 12 Projected 2007–08: 6	25	Measure to be discontinued. While the information has value as a statistic, it is not controllable by program managers.	• Counselling family farm enterprises • Support for industry succession management workshop • Economic conditions have reduced the number of new entrant applications; in the longer term, applications are expected to return to targeted levels

Note that data reported excludes transfers to non-family members who may also be providing for farm succession.

Crown Corporation
BUSINESS PLANS
FOR THE FISCAL YEAR 2008–2009

Nova Scotia Film Development Corporation
Business Plan 2008–2009

Contents

Message from the Minister

Nova Scotia's film, television, and new media industry showcases our natural beauty and talented filmmakers on the international stage, presenting the province as a creative and vibrant community. Nova Scotia also has the infrastructure, crew, locations, and services necessary to sustain a successful industry. The film, television, and new media industry in Nova Scotia continues to be regarded as one of the best in the country.

This past year, the Nova Scotia government increased the film tax credit—a key incentive for the provincial film industry. The industry is a contributor to the economic and social prosperity of the province, generating over $100 million annually in production spending. It employs over 2,000 Nova Scotians across a broad range of professions, while also supporting a variety of local businesses.

Looking ahead, this business plan outlines new opportunities that will position the province for growth in the coming years. The leadership provided by the Nova Scotia Film Development Corporation keeps this industry strong, and the board members and staff are commended for their dedication to this industry.

Nova Scotia is a good place for business, and the Nova Scotia Film Development Corporation is ensuring that the province will benefit from this exciting industry for years to come.

Sincerely,

Angus MacIsaac
Minister

Nova Scotia Economic Development

Message from the CEO

I am pleased to present you with the 2008–2009 business plan for the Nova Scotia Film Development Corporation.

2007–2008 was a challenging year for film, television, and new media industry. The industry has faced a perfect storm of issues, including labour unrest, the high Canadian dollar, and increasing competitiveness from other film jurisdictions. These factors have all impacted business in the province.

Despite the challenges, the Nova Scotia Film Development Corporation had reason to celebrate in 2007–2008. The Nova Scotia government's decision to increase the Film Industry Tax Credit, the formation of the Nova Scotia Motion Picture Industry Association, and the rebranding of the Nova Scotia Film Development Corporation as Film Nova Scotia are some of the highlights that came out of this year.

2008–2009 will be a rebuilding year for the industry in Nova Scotia. In an effort to build further success and contribute to the sustainable prosperity of the province, the Nova Scotia Film Development Corporation has identified several strategic opportunities necessary for success. Supporting a state of the art soundstage facility and a focus on attracting foreign feature projects are some of the opportunities the Nova Scotia Film Development Corporation will look to capitalize on this coming year.

The formation of the Nova Scotia Motion Picture Industry Association in September 2007 presents an opportunity for partners to work closely together to nurture and grow this dynamic industry.

The team at the Nova Scotia Film Development Corporation, its board and staff, are committed to making the province a key player in the international film, television, and new media industry. We are looking forward to a prosperous 2008–2009.

Ann MacKenzie

Chief Executive Officer,
Nova Scotia Film Development Corporation

Mission

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

Introduction

Nova Scotia has the fourth largest film and television production centre in the country, and this has been the case for the past 10 years. The film industry spent over $100 million in the province in each of these years, spending over $120 million in many of those years. In addition, the film industry created over 2,500 jobs in each of these years. Last year was one of the industry's highest production years ever, with $136 million of production activity. The province's highest production level was achieved in 2002 with $137 million of production.

The current year, however, will be considerably lower than last year and will likely be under $100 million for the first time in a decade as a result of several uncontrollable events that include labour unrest early in the year with an ACTRA strike, the film tax credit lagging in competitiveness with other provincial incentives for most of the year, the strengthening dollar challenging foreign service work from Los Angeles, which typically accounts for 50 per cent of our production, and the Writers' Guild strike in the USA.

The recent increase in the tax credit to the highest in the country for productions commencing principal photography after October 1, 2007, has resulted in a significant increase in location inquiries from guest productions considering shooting their films in the province. Two television movies of the week, *The Memory Keeper's Daughter* and *The Tenth Circle*, have shot in Nova Scotia as a direct result of the increased tax credit, and several others are considering Nova Scotia for summer/fall shoots.

About the Corporation

The Nova Scotia Film Development Corporation (currently working under the rebranded name of Film Nova Scotia) was created in 1990 as a provincial Crown corporation under the *Nova Scotia Film Development Corporation Act*, following a study evaluating the economic potential of the film and television industry in Nova Scotia. The corporation reports to the Minister of Economic Development.

A Board of Directors appointed by the Governor in Council directs the affairs of the corporation. Members of the board are appointed for terms of up to three years and may be appointed for no more than two consecutive terms. The administration of the corporation and its programs and the implementation of the board's decisions are carried out by the Chief Executive Officer assisted by full-time staff including a director of finance, a director of business and legal affairs, a director of marketing, a communications and locations assistant, a locations officer, a tax credit administrator, a finance assistant, a corporate secretary, and an office administrator. The Chief Executive Officer reports to the board and has chief responsibility for all programs administered by the corporation.

Legislation and By-laws

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

Role

The Nova Scotia Film Development Corporation provides financial, development, and marketing programs to the local film industry. Its financial programs provide first-in funding, which is then used to leverage funds available through federal programs such as Telefilm Canada and the Canadian Television Fund and private sources such as broadcasters, distributors, and investment funds.

The corporation's investment funds are used to generate production, which results in job creation and supply consumption. Its development programs are of a product nature as well as training and development. The marketing programs are designed to raise the profile of Nova Scotia's film industry, create access to decision makers for local producers, and market the province to foreign studios, broadcasters, distributors, and producers.

The Nova Scotia Film Development Corporation is also the "go-to" resource for both local and foreign production communities. It provides liaison services between industry and government, where necessary, and networks producers with one another.

Link to the Corporate Path

As part of its planning process, the Nova Scotia Film Development Corporation has reviewed the Province of Nova Scotia's Corporate Path and considered its implications in developing business plan goals and initiatives.

The Nova Scotia Film Development Corporation's purpose and mandate do not provide opportunities to participate specifically in all areas of the Corporate Path's direction and priorities. However, the Nova Scotia Film Development Corporation's activities play a significant role in creating winning conditions for Nova Scotians and for seizing new economic opportunities.

While the Nova Scotia Film Development Corporation's mandate does not necessarily provide direct opportunities in the third category, building for individuals, families, and communities, the economic impact of its activities does play a role in these categories. Socially, the industry can shine a spotlight on issues that resonate with audiences in a way that the news media is unable to achieve. As an example, Al Gore's *An Inconvenient Truth* had a tremendous impact on bringing environmental issues to the fore of political and social debate. The locally produced movies *Bowling for Columbine* and *Shake Hands with the Devil* focused attention on gun control and the Rwanda genocide. Further, the film industry can communicate our identity to a broader audience. Creativity and culture motivate and empower people and create innovative and critical thinkers who are appealing to employers in a knowledge-based economy, contributing to Nova Scotia's ability to attract these types of companies.

Film and television production is a central part of the modern cultural sector and contributes positively to the tourism sector. The industry provides an attractive career path for youth, stemming out-migration and providing leadership opportunities. Environmentally, creative industries such as the film industry tend to have less of an impact on the environment, leaving a smaller footprint as compared to other industries such as manufacturing and resource-based industries such as lumber and mining.

Best-selling author and social theorist Richard Florida believes that human creativity is the engine of economic growth. To attract a creative workforce, governments must foster an environment that allows the arts to flourish and at the same time gives creative workers a range of career opportunities. Film and television production is one such industry; it gives writers and a myriad of visual artists the opportunity to apply their creative skills. The presence of a film and television industry and the associated talent base of people contribute immensely to the arts scene and to the diversity and liveliness of local community life.

In today's global economy, regional brand building is paramount to attracting the highly skilled workforce that fuels economic growth. The value of a brand that is not communicated effectively can become diminished. The film and television industry contributes to Nova Scotia's brand-building endeavour in two respects—the effect it can have on our tourist industry and its power as the dominant medium for storytelling. A vibrant film and television production industry is critical, so that Nova Scotians can tell stories about Nova Scotia to fellow Nova Scotians, Canadians, and people around the world.

The existence of a vibrant and successful production industry demonstrates to Nova Scotians and Canadians that Nova Scotia is a “place where things can happen.”

These characteristics are consistent with the government’s vision for a prosperous Nova Scotia, and the film industry is a key contributor to the economic, environmental, and social prosperity of the province.

The following provides a link between the Nova Scotia Film Development Corporation’s goals and initiatives and the direction and priorities of the province’s Corporate Path.

Province of Nova Scotia Corporate Path’s Direction and Priorities

Vision: Building for Families, Building for the Future

Priority: The Nova Scotia Film Development Corporation’s Goals and Initiatives

1. Creating Winning Conditions

1.1 Globally Competitive Business Climate

- Equity Investment Program
- Development Loan Program
- New Media Program
- Feature Film Distribution Assistance Program
- Market and Festival Assistance Program
- Script breakdown/location library
- Scouting
- Community liaison and ongoing support
- Film Industry Tax Credit
- Strategic partners
- Film Advisory Committee
- Industry Taskforce
- Digital Tax Credit

1.2 Globally Competitive Workforce

- Bridge Award Program
- Professional Development Assistance Program
- Atlantic Canada film partners
- Industry Taskforce

1.3 Globally Competitive Connections (infrastructure)

- Market and Festival Assistance Program
- Professional Development Assistance Program
- Marketing Program
- Script breakdown/location library
- Scouting
- Community liaison and ongoing support
- Trade missions
- Strategic partners
- Association of Provincial Funding Agencies

2. Seizing New Economic Opportunities
   2.1 Leader in Information Technology (as an enabler of innovation)
      - New Media Program
      - Market and Festival Assistance Program
      - Professional Development Assistance Program
      - Industry Taskforce
      - Digital Tax Credit
   2.2 Leader in R&D and Innovation
      - Professional Development Assistance Program
      - Film Industry Tax Credit
      - Industry Taskforce
      - Digital Tax Credit
3. Building for Individuals, Families, and Communities
   3.1 Healthy, Active Nova Scotians
   3.2 Accessible Services
   3.3 Safe Communities
      - Film Advisory Committee
   3.4 Vibrant Communities
      - Social impact of film industry
4. Opportunities for Sustainable Prosperity
   4.1 Educating to Compete
      - Strategic partners
      - Professional Development Assistance Program
   4.2 Protecting Our Environment
      - Environmentally friendly industry
   4.3 Better Roads and Infrastructure
   4.4 Safer, Healthier Communities
   4.5 Shorter Wait Times

The film industry fits well with the three pillars of sustainable prosperity—economic, social, and environmental—and its corresponding building blocks—financial, natural, built, human, and social capital. The industry provides a significant contribution to the provincial economy. It is one of the more prominent creative class industries, which involves people from almost all walks of creative endeavour: writers, visual artists, animators, actors, musicians, graphic artists, and many others. It offers an attractive career path for youth and provides high-paying, skilled jobs that will help the province attract and retain the skilled workforce necessary to reach its sustainable prosperity goals from both the economic and social perspectives. The film industry has contributed over $100 million annually to the local economy for the past decade while employing thousands of individuals. Film is environmentally friendly, and it can promote an area or message in a pervasive manner like no other industry can.

Planning Context

The industry has faced a number of uncontrollable challenges in 2007, which resulted in a significant decrease in production levels this year, and the corporation has to address some critical staffing requirements. Recently, the corporation completed a strategic planning session where we identified actions that must be taken in order to turn the industry around. Key to any proposed changes is adding the staff positions required to deliver existing programs effectively and offer the proposed new initiatives.

A small investment in our proposed new programs will help us reverse the recent downturn in the industry by attracting increased levels of film production, resulting in increased investment in the province and job creation. Refocusing the corporation's marketing activities toward higher-budget feature films will mitigate the uncontrollable risks of fluctuating currency exchanges and film incentive programs in other jurisdictions, because these higher-budget films are more influenced by creative script elements and locations than economic factors. Upgrading our existing locations library online database system will make it more competitive in attracting foreign production. Rolling out the corporation's new brand will also position the province to attract increased production levels.

The Nova Scotia Film Development Corporation has two interrelated approaches to the development of the film industry in Nova Scotia and, more broadly, economic development in the province. The corporation's financial programs are aimed at local filmmakers, and they include equity investments, development loans, new media equity investments, feature film distribution assistance, the CBC/Nova Scotia Film Development Corporation Bridge Award, sponsorship and training awards, and market/festival and professional development assistance. Additionally, the Nova Scotia Film Development Corporation administers the Nova Scotia Film Industry Tax Credit program on behalf of the Department of Finance. The corporation strives to administer the public funds that it is entrusted with in an effective and efficient manner. At the same time, providing excellent quality service and creating a film-friendly environment are at the forefront of all its activities.

The corporation makes its investment decisions with the following outcomes in mind: employing Nova Scotians, spending funds in the province, promoting the province internationally with positive spin-offs resulting in other areas such as tourism, allowing Nova Scotians to tell their unique cultural stories, and demonstrating an opportunity for the corporation to recoup some or all of its investment.

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

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

The second category of programs involves the Marketing and Locations Department, which markets the province as a place to film. The efforts of the Marketing and Locations Department result in attracting fully financed productions and co-productions to Nova Scotia. The Marketing and Locations Department maintains an extensive library of photographs representing the entire province, and the corporation fills numerous location requests throughout the year. Locations packages include information on Nova Scotia, services available, locations photographs, and the *Nova Scotia Film and Video Production Guide*. The corporation produces this high-quality informative guide to film and television production in the province. It is a key tool, used by producers and production companies that are considering shooting in Nova Scotia. The corporation incorporates the images and messages outlined in the Nova Scotia Come to Life initiative in all of its marketing activities.

The Marketing and Locations Department is responsible for fostering strong community relationships with the various regions throughout Nova Scotia, as well as organizations that have or could be involved in the film industry. The primary purpose of these relationships is to educate target audiences about the economic benefit that film production will bring to their communities/organizations; promote, collectively, the various regions of the province in an effort to attract production; ensure that communities, organizations, and individuals are familiar with filming procedures so they are prepared to handle productions prior to and upon their arrival; ensure fair and equitable treatment for both communities/organizations and the productions themselves and to mediate any concerns that may arise; and ensure that the corporation is aware of policies, guidelines, and applications that exist so that its clients' questions can be effectively answered.

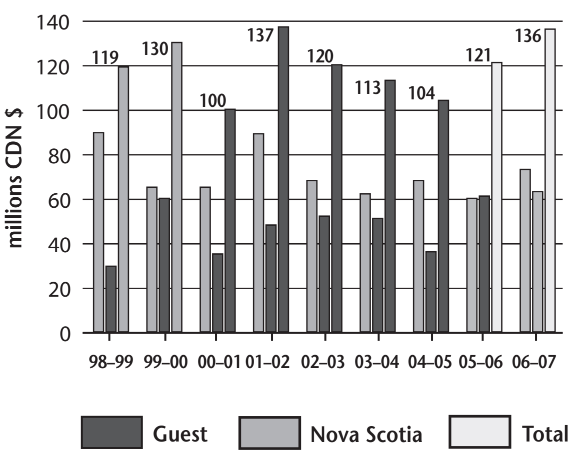
The Marketing and Locations Department is responsible for fostering strong relationships with the various industry organizations that represent personnel involved in production activity. These include, but are not limited to, ACTRA, IATSE 849, IATSE 667, and the DGC. The primary purpose of these relationships 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.

The Finance Department strives to process tax credit applications in a timely manner in order to meet producers' expectations, while at the same time meeting the expectations of the Department of Finance. The Film Industry Tax Credit is a crucial financing tool used by both local and guest filmmakers. Ensuring that the tax credit remains competitive with other provinces is a priority of the corporation.

Investing in both local filmmakers and locations marketing contributes to the development of a stable film industry in Nova Scotia.

The film, television, and new media industry is vibrant and ever changing. Nova Scotia's industry is affected by many external environmental factors. Some of the major factors include a decline in the demand for North American programming in international markets; the introduction of alternative delivery platforms, including computers, cell phones, and portable

Nova Scotia Film Production Activity Chart 1998 – 2007 (in millions of Canadian dollars)



	NS	vs.	Guest*
	(millions CDN $)		
98–99:	89.5	vs.	29.5
99–00:	70	vs.	60
00–01:	65	vs.	35
01–02:	89	vs.	48
02–03:	68	vs.	52
03–04:	62	vs.	51
04–05:	68	vs.	36
05–06:	60	vs.	61
06–07:	73	vs.	63

Source: Nova Scotia Film Development Corporation

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

media players; limited production funding; heightened awareness of the negative aspects of moving production outside of the United States due to the recent downturn in the American industry; the strengthening of the Canadian dollar against the American dollar; and other jurisdictions, both Canadian and international, that have become more competitive in recruiting guest productions.

The corporation strives to stay on top of these challenges by designing appropriate strategies and solutions to deal with them.

Strategic Goals

- Cultivate the economic and export potential of Nova Scotia's film, television, and new media industry.
- Provide or support mechanisms for the advancement of Nova Scotia's film, television, and new media industry.

Core Business Areas

1. Economic and Export Potential

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

Investment Programs

Equity Investments, Development Loans and New Media

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

The corporation provides development loans up to $15,000 per project to a maximum of 33 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 investment up to $30,000 per new media project to a maximum of 33 per cent of the budget spent in the province for projects such as CD-ROM, DVD, and Internet-delivered programs that are related to feature film or television projects in which the corporation has an equity investment. In cases where the corporation is not involved in the original feature film or television project, it must be demonstrated that the project has a stand-alone recoupment and financial structure separate from the underlying feature film or television property.

The July 2004 industry strategy 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/Nova Scotia Film Development Corporation Bridge Award for emerging producers. This juried program is designed to assist emerging producers to enter the industry. Successful applicants receive a $10,000 CBC broadcast licence, a $20,000 Nova Scotia Film Development Corporation equity investment, and $10,000 in services from the CBC. Up to two awards are offered in February each year.

Feature Film Distribution Assistance Program

The corporation offers a Feature Film Distribution Assistance Program. The program 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 feature films and increase the Canadian box office returns.

Market and Festival Assistance

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

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.

Locations and Marketing Programs

Marketing

The corporation will implement the 2008–2009 Marketing Plan, primarily targeting established markets such as Los Angeles, New York, and Europe through a variety of activities, including trade missions, participation at festivals and markets, advertising, website, and familiarization tours. In addition, the corporation will continue to research new markets such as the United Kingdom and other Canadian provinces to identify opportunities. The new Locations Officer will allow a more focused and concerted effort to attract foreign large-budget feature films to Nova Scotia.

In 2007–2008, the corporation rebranded as Film Nova Scotia to closer align itself with the province’s new brand. The corporation’s marketing materials, including the website, kit folders, brochures, etc., will be updated to reflect the new corporate brand.

Script Breakdown/Locations Library

The corporation provides complete script breakdown services for feature films, movies of the week, and television series and pilots utilizing photos from its extensive library of locations from across the province. Image packages can be sent to producers by courier or digitally via e-mail, and project-specific websites can be created. In 2008–2009, the library database software will be upgraded to provide more user-friendly and efficient systems to improve the Nova Scotia Film Development Corporation's competitiveness in this area.

Scouting

The corporation provides the services of experienced and qualified location scouts to producers and directors who visit the province in search of suitable filming locations.

Community Liaison and Ongoing Support

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

Film Industry Tax Credit

The Film Industry Tax Credit (FITC) is a labour-based tax credit of 50–60 per cent of eligible Nova Scotia labour capped at 25–30 per cent of the total production budget, depending on where the production is shot. A frequent filming bonus of 5 per cent of eligible labour is also available for qualifying productions. The tax credit is a key financing tool used by producers to complete their film and television projects and can be accessed by both local and guest producers. The increase to this level has made it the highest tax credit in Canada, and the corporation will aggressively promote this program to target markets in 2008–2009.

Partnerships

Atlantic Canada Film Partners (ACFP)

ACFP is a partnership among Nova Scotia, Newfoundland and Labrador, New Brunswick, and Prince Edward Island, formed to increase the profile of the Atlantic Canadian film industry in international markets. This results in increased film and television production activity in the region, thereby generating more jobs in the industry. Through ACFP, producers have access to international marketplaces, strategic professional development, business planning services, and industrial research. ACFP is financially supported by the Atlantic Canada Opportunities Agency.

Strategic Partners

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

Film Advisory Committee (FAC)

The purpose of the Film Advisory Committee (FAC) is to provide a mechanism through which government and industry can work collectively to promote the growth and development of the film and television industry in Nova Scotia. Objectives of the FAC are

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

Association of Provincial Funding Agencies (APFA)

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

International Initiatives Advisory Committee (IIAC)

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

Nova Scotia Motion Picture Industry Association (NSMPIA)

The corporation will work with NSMPIA on implementing and updating the five-year strategy completed in 2004. Together we will focus on enhancing the competitiveness of Nova Scotia's film and television industry by addressing challenges industry members face in the areas of new media, financing, training, and international marketing. The corporation has commissioned an industry impact analysis of Nova Scotia's film industry and will use the results of the analysis in designing program initiatives in 2008–2009. Another priority that the industry will work on in 2008–2009 is creating a state-of-the-art soundstage in the Halifax Regional Municipality to support local production and attract foreign production. The availability of studio facilities in the HRM is inadequate to support any critical mass of production.

2. Industry Development

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

Professional Development

The corporation optimizes financial and human resources by partnering with government, private sector, and industry stakeholders to provide professional development opportunities, which support the advancement of Nova Scotia's film industry in global markets.

The corporation invests in the continued professional development of Nova Scotia filmmakers through organizations and programs as described below.

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

Investment in the Media Arts Scholarship/Mentorship Program at the Centre for Art Tapes results in a series of inter-disciplinary learning events as well as more traditional opportunities to build skills.

The corporation supports the participation of a writer from Nova Scotia and a producer/writer team from Nova Scotia to participate in the National Screen Institute's Totally Television program, an intensive and individualized professional development program designed to train aspiring television writer/producer teams through the development of their own television series proposal.

The corporation, through industry consultation, also identifies gaps in the industry and organizes and hosts a two-day Business Issues seminar. This entrepreneurship training assists Nova Scotia producers in competing in the global film industry. Business Issues provides targeted market initiation for emerging producers, offering an introduction to major industry trends and their impact on television production, a roadmap to the current programming marketplace, and a step-by-step approach to working with broadcasters and developing content that sells. The seminar also examines successful production company models and offers tips for today's projects and activities with a sustainable corporate strategy.

The corporation partners with the Canadian Film and Television Production Association (CFTPA), Telefilm Canada, and the Atlantic Canada Film Partners to offer the Atlantic Mentorship Program, a program designed to offer emerging and mid-level production personnel in the

Atlantic provinces with long-term, salaried training opportunities in the film, television, and interactive media sectors. Under the personal guidance of seasoned industry professionals, participants develop their business, creative, and administrative abilities, increase their potential for career advancement in the production sector, and help foster the growth of Atlantic Canada's screen-based entertainment industry. On-the-job training is provided by CFTPA mentor production companies based in the Atlantic region. Through this program, two Nova Scotia residents receive internship placements with two Nova Scotia production companies for a six-month period.

For 2008–2009, the corporation will be renewing its partnership in the Atlantic Mentorship Program, based on the success of the previous year's program and the skills and knowledge acquired by the interns during the training experience.

The corporation will continue to bring leading broadcasters and distributors to the province to educate local producers on priority programming and enable them to pitch their program ideas.

We regularly consult with industry training organizations to design skills enhancement programs that address the specific needs of Nova Scotia's film community.

Priorities for 2008–2009

The Nova Scotia Film Development Corporation's 2008–2009 business plan recognizes the corporation's goals of securing a state-of-the-art soundstage facility; increasing the number of crews; consistently achieving a high level of local production; achieving year-round production; increasing the economic impact of the industry for the province; attracting a local broadcaster; facilitating and supporting more stable and diverse local production companies; shifting our focus from foreign movies-of-the-week to foreign feature films; and building on our animation strengths.

The Nova Scotia film and television industry struggled during 2007 due to a number of factors: an ACTRA strike early in the year, the strengthening of the Canadian dollar, increased competition from other Canadian provinces and US incentives, and a writers strike in the USA. After a strong year in 2006–2007, with $136 million in production, less than $100 million in production is anticipated in 2007–2008, the first time in a decade where production was less than $100 million. The increase to the film industry tax credit for productions commencing principal photography after October 1, 2007, to the highest in the country has inspired new guest productions to come to the province and should have an impact to restore the industry in 2008–2009. Increased funding for the Nova Scotia Film Development Corporation's programs is crucial to helping the industry continue in this regard.

The corporation will refocus its marketing efforts by targeting high-budget feature films. We will roll out the corporation's new brand and upgrade our digital library database to new generation software. We will add the necessary staff positions to enhance delivery of current programs plus offer new programs.

The corporation will implement the 2008–2009 Marketing Plan targeting Los Angeles, New York, Europe (specifically the United Kingdom), and Canada through a variety of activities including trade missions and familiarization tours, while a presence at key markets, including Cannes Film Festival, American Film Market, and MIPCOM television market, will continue to play a major role in marketing Nova Scotia's film industry. The corporation will continue to monitor global trends that could affect the local industry and assess all programs and services to ensure that they are responsive to stakeholder and client requirements as well as to the external environment.

The corporation's budget of $3,359,700 is vital in supporting and increasing the current local production activity. In an increasingly competitive marketplace, if funds and human resources do not exist, Nova Scotia's film industry and provincial revenues will suffer, along with the many spin-off services industries that benefit from film production, because work will go to other provinces and states. This budget proposal highlights the opportunities and real economic and social benefits that can result from a small contribution of funds.

With the assistance of the province, the corporation's goal is to continue growing this vibrant and environmentally friendly industry. The province's investment will be able to lever multi-millions of dollars of funds from sources outside the province.

Human Resource Strategy

The province's Corporate Human Resource Plan 2005–2010 identifies respect, integrity, diversity, accountability, and the public good as priority values:

- to make a difference through a skilled, committed, and accountable public service
- to be a preferred employer
- to be a safe and supportive workplace
- to be a diverse workforce
- to be a learning organization

The Nova Scotia Film Development Corporation has adopted human resources policies, modelled on Province of Nova Scotia counterparts, in several areas, including personnel, performance management, disclosure of wrongdoing, pregnancy and parental leave, attendance management, and dress, as well as occupational health and safety. The Nova Scotia Film Development Corporation's Human Resources program provides for new employee orientation. Its Performance Management Policy is tied to the Nova Scotia Film Development Corporation's business plan and involves weekly goal setting and team meetings, quarterly and annual performance reviews, and a direct link to compensation administration. Core values recognized in the Nova Scotia Film Development Corporation's Performance Management Policy include communication, innovation, learning and development, quality service, trust and integrity, accountability and teamwork.

Much of the Nova Scotia Film Development Corporation's policies support the goals identified in Nova Scotia's Corporate Human Resource Plan 2005–2010. During 2008–2009, Nova Scotia Film Development Corporation will address the following action items as part of its overall plan:

- research the development of an employee assistance program
- research the development of a formal employee recognition program
- research the development of the Nova Scotia Film Development Corporation human resources intranet

Budget Context

The business plan solicits an appropriation level of $3.4 million, an increase of $224,000 over the prior year. The incremental funding is required to roll out the corporation's new brand and refocus its marketing efforts.

The corporation's funding acts as seed money for production companies. These funds are "first in" funds, which trigger investment from the private industry and federal programs. Real opportunity costs are associated with reduced levels of funding, which include out of work Nova Scotians, companies ceasing to operate, and new trainees not being hired.

The film and television industry makes a significant contribution to the province's economy. For each dollar the province invests in funding programs for local production, in excess of $20-25 are attracted to the province from private investors and the federal government, placing the corporation's programs in the position of providing high value programs at a low cost to the province.

The following budget reflects an appropriation of $3.4 million.

	Budget 2007–08 ($)	Forecast 2007–08 ($)	Budget 2008–09 ($)
Contributions			
Nova Scotia Government	3,135,700	3,141,700	3,359,700
Recovery of Equity Investments and Development Loans	300,000	305,000	300,000
Atlantic Canada Film Partners	30,000	30,000	9,000
Other income	60,000	118,000	60,000
Interest income	35,000	86,000	50,000
	3,560,700	3,680,700	3,778,700
Disbursements:			
Programming	2,747,200	2,769,177	2,554,200
Atlantic Canada Film Partners	81,000	81,000	25,000
Administrative	497,000	562,100	704,000
Advertising and marketing	235,500	268,423	495,500
	3,560,700	3,680,700	3,778,700
Net balance	0	0	0
Administrative Expenses:			
Salaries and benefits	398,000	425,000	509,000
Telephone and fax	10,000	10,000	14,000
Staff training	8,000	9,400	12,000
Bank charges	2,000	2,000	2,000
Consultants	10,000	38,100	11,000
Courier	1,500	600	1,500
Dues and fees	8,000	10,000	15,000
Insurance	2,600	2,600	2,600
Conferences and marketing	3,000	3,500	3,000
Board	18,000	21,500	18,000
Repairs and maintenance	2,400	1,500	2,400
Amortization	2,000	1,100	2,000
Office	17,000	17,000	17,000
Copier and fax rental	3,500	2,300	3,500
Postage	4,000	1,600	4,000
Professional fees	7,000	7,700	7,000
Rent and related move costs	0	0	80,000
Strategic planning	0	8,200	0
Total Administrative	497,000	562,100	704,000

	Budget 2007–08 ($)	Forecast 2007–08 ($)	Budget 2008–09 ($)
Advertising and Marketing:			
Business travel	45,000	42,600	45,000
Locations salaries and benefits	106,000	113,000	157,000
Advertising and Marketing	35,000	43,100	235,000
Amortization	2,500	1,200	2,500
Familiarization tour and marketing materials	20,000	25,600	20,000
Annual report	4,000	12,323	10,000
Location scouts	9,000	14,000	0
Locations Library	7,000	5,500	15,000
Location services	11,000	11,000	11,000
Production guide	(4,000)	100	0
Total Advertising and Marketing	235,500	268,423	495,500

Outcomes and Performance Measures

Core Business Area 1 *Economic and Export Potential*

Outcome	Measure	Base Year 2003–2004	Data 2004–2005	Data 2005–2006	Data 2006–2007	Target 2007–2008	Target 2008–2009	Strategies to Achieve Target
Contribute to Nova Scotia's economy by maximizing, with the resources available, the economic potential of the film, television, and new media industry	Production activity	$113 million	$104 million	$121 million	$136 million	To maintain or exceed baseline levels to the extent possible with the available resources and market conditions.		• Implement the marketing plan • Launch new marketing program and roll out brand • Continue the Nova Scotia Film Industry Tax Credit • Continue Investment and Development Programs • Keep abreast of changes in the industry and ensure that programs continue to meet the requirements of stakeholders and clients • Provide film commission services for guest productions • Implement Industry Strategy

Core Business Area 2 *Industry Development*

Outcome	Measure	Base Year 2003–2004	Data 2004–2005	Data 2005–2006	Data 2006–2007	Target 2007–2008	Target 2008–2009	Strategies to Achieve Target
Assist and promote the development of the film, television, and new media industry producers and personnel in Nova Scotia	Client feedback	Strategic professional development opportunities addressing industry needs	Strategic professional development opportunities addressing industry needs	Strategic professional development opportunities addressing industry needs	Strategic professional development opportunities addressing industry needs	Strategic professional development opportunities addressing industry needs		• Ongoing research into gaps/overlap in industry and identify solutions • Offer and support professional development initiatives • Implement Industry Strategy
	Level of stakeholder participation—workshop attendance							
	• Business Issues	135	66	60	49	23	20–30	
	• Broadcaster/ Distributor Forum	40	75	60	46	47	50–60	
	—pitches	149	188	159	141	117	100–150	
	• Pitching Workshop	6	25	15	9	10	8–10	

Crown Corporation
BUSINESS PLANS
FOR THE FISCAL YEAR 2008–2009

Nova Scotia Fisheries and Aquaculture Loan Board
Business Plan 2008–2009

Contents

Message from the Minister, Deputy Minister, and Board Chair

It is our pleasure to present the 2008–2009 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 $595 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 Hon. Ron Chisholm
Minister of Fisheries and Aquaculture

Paul LaFleche
Deputy Minister

Martin Cottreau
Chairman of the Fisheries and Aquaculture Loan Board

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.

Link to the Corporate Path

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 continually in a surplus position. For the fiscal year ending March 31, 2007, the Loan Board surplus was $6.1 million, according to the Office of the Auditor General. With this financial arrangement in place, the Loan Board can fulfill the expectations and service needs of the fishing and aquaculture industries as well as the government vision for the New Nova Scotia opportunities for sustainable and social prosperity, by providing long-term stable development funding that will enable the fishers and aquaculturists of this province to take advantage of economic opportunities at home to maximize jobs and grow the economy of our coastal communities. The fishery is more than a way of life; it is a successful business, and we must strive to keep it productive and internationally competitive.

Planning Context

Nova Scotia is the leading fishing province in Canada, a nation that is known as a world fishing power. We are fortunate to have a diversified industry that can survive and prosper on its strengths, while various segments suffer cyclical downturns. Our commercial fishery alone has an annual landed value of approximately $639 million and a market value of approximately $1.0 billion, and our aquaculture and recreational fishery sectors generate $130 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, which, over time, have provided us with success. We must build on these segments, seeking out and developing new opportunities in aquaculture, the recreational fishery, coastal zone management, under-utilized species, and the processing sector. Whether it be 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 the coastal community development that is the focus of the board's operations.

Diversification and technological advancements in the fishing industry continue to create a demand for newer, larger, and more efficient vessels. Existing clients will take advantage of this new technology to improve and upgrade their vessels. This will also result in maintaining a high level of boatbuilding activity.

Strategic Goals

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

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

Government developmental financing is required for the harvesting sector, as the chartered banks consider lending to this sector to be high risk. Aquaculture financing is also necessary, as this sector is a developing industry, which the banks believe to be very high risk.

2. *Maintain a vessel inspection program for all new construction, used vessel purchases, and 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. *Maintain a loan collection program on a monthly basis to keep loan arrears to a minimum.*

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

4. *Provide financial counselling and assessments for proposed projects.*

Financial counselling ensures that customers manage their income and resources wisely and assists the Loan Board's repayment record. Project assessments help the industry to be successful and also reduce the potential of delinquent accounts.

Core Business Areas

In keeping with the goals of the board, Department of Fisheries and Aquaculture, and the Government of Nova Scotia, the following represents the board's priorities for 2008–2009.

Core Business Area 1

Provide long-term fixed-rate loans for the development of the fish-harvesting and aquaculture industries (reviewed 107 loan applications during the 2006–2007 fiscal year).

- Provide $20 million of developmental funding to the fishing and aquaculture industries.
- Continue to assess new loan proposals by applicants.
- Continue to review and amend the loan approval process to ensure quality program delivery.
- Facilitate the replacement and upgrading of older vessels in each fleet.

Core Business Area 2

Maintain a vessel inspection program for all new construction, used vessel purchases, and modification and engine/equipment loans. Carried out 420 new vessel inspections and 657 inspections for used vessels, engine/equipment, and maintenance during the 2006–2007 fiscal year.

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 boatbuilders by giving technical advice as it relates to the preparation of plans and drawings, as well as providing technical assistance relating to the construction of new vessels and modification of vessels.

Core Business Area 3

Maintain a loan collection program on a monthly basis to keep loan arrears to a minimum. The arrears percentage increased to 1.58% as of March 31, 2007.

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

Core Business Area 4

Provide financial counselling and assessments for proposed projects.

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

Budget Context

Statement of Revenues, Expenses, and Accumulated Surplus for the Year-End

	Estimate 2007–08 ($)	Forecast 2007–08 ($)	Estimate 2008–09 ($)
Revenues			
Interest income	6,100,000	5,800,000	6,300,000
Loan fees	106,700	114,100	114,100
	6,206,700	5,914,100	6,414,100
Expenses			
Interest expense	3,800,000	3,700,000	3,900,000
Salaries and benefits (net of recoveries)	553,100	561,400	697,100
Board honoraria	7,600	7,600	7,600
Travel	53,700	52,300	54,500
Office expense	17,300	14,100	17,800
Bad debts expense (net of recoveries)	50,000	50,000	50,000
	4,481,700	4,385,400	4,727,000
Operating Surplus before government contributions	1,725,000	1,528,700	1,687,100
Government contributions	4,481,700	4,385,400	4,727,000
Surplus	6,206,700	5,914,100	6,414,100
Distribution to Consolidated Fund of the Province	6,206,700	5,914,100	6,414,100
Accumulated surplus, end of year	—	—	—
Funded Staff (FTEs)	9.0	9.0	10.0

Financial Information

	Estimate 2007–08 ($ millions)	Forecast 2007–08 ($ millions)	Estimate 2008–09 ($ millions)
Advances	20.0	20.0	20.0
Principal Payments	14.2	14.0	14.0
Interest Payments	6.1	5.0	6.3
Loans Receivable	90.0	85.0	95.0
Write Offs	0.2	0.28	0.2
Doubtful Accounts	0.75	0.75	0.8
Interest Expense	3.8	3.7	3.9
Net Income	6.2	5.9	6.4

Outcomes and Performance Measures

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

Outcome	Measures	Data	Target 2008–2009	Ultimate Target	Strategies to Achieve Targets
Development of new fishery enterprises	Loan advances	2000–01: 19 million 2001–02: 19 million 2002–03: 21 million 2003–04: 22 million 2004–05: 25 million 2005–06: 14 million 2006–07: 16 million	Increase annual advances	Increase annual advances over previous year	• Working with industry and government • Provide financing for the harvesting of under-utilized species • Loan advances as of March 31, 2007 were $16.4 million
Improve lending programs for the fishing and aquaculture industries	Increase in loan portfolio	2000–01: 53 million 2001–02: 61 million 2002–03: 69 million 2003–04: 72 million 2004–05: 82 million 2005–06: 81 million 2006–07: 83 million	Annual increase in loan portfolio	Annual increase in loan portfolio over previous year	• Support financially viable operations • As of March 31, 2007 the loan portfolio was $83.3 million.

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

Outcome	Measures	Data	Target 2008–2009	Ultimate Target	Strategies to Achieve Targets
Inspect all new vessels under construction biweekly	Number of biweekly inspections on new vessels	2000–01: 511 2001–02: 656 2002–03: 505 2003–04: 531 2004–05: 504 2005–06: 305 2006–07: 420	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	2000–01: 523 2001–02: 512 2002–03: 494 2003–04: 473 2004–05: 412 2005–06: 447 2006–07: 601	100% of vessels to be inspected annually	100% of vessels to be inspected annually	• Adequate operating budget to inspect each vessel yearly • Annual survey report completed 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	2000–01: 106 2001–02: 87 2002–03: 77 2003–04: 51 2004–05: 75 2005–06: 61 2006–07: 51	100% of vessels inspected biweekly	100% of vessels inspected biweekly	• Adequate operating budget to inspect on a biweekly basis • An inspection report to be completed

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

Outcome	Measures	Data	Target 2008–2009	Ultimate Target	Strategies to Achieve Targets
Frequent collection activity	Percentage of accounts in arrears	2000–01: 4.1% 2001–02: 3.3% 2002–03: 1.8% 2003–04: 1.3% 2004–05: 1.3% 2005–06: 1.3% 2006–07: 1.6%	≤3% arrears level	≤3% arrears level	• Adequate operating budget to collect via monthly field visits • As of March 31, 2007 1.58% of principal was in arrears. • Sufficient staff to collect monthly.
Decrease in arrears level	Percentage of accounts in arrears	2000–01: 4.1% 2001–02: 3.3% 2002–03: 1.8% 2003–04: 1.3% 2004–05: 1.3% 2005–06: 1.3% 2006–07: 1.6%	≤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, 2007 1.58% of principal was in arrears.

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

Outcome	Measures	Data	Target 2008–2009	Ultimate Target	Strategies to Achieve Targets
Harvesters successfully expand their operations	Percentage of annual write-offs	2000–01: .12% 2001–02: .18% 2002–03: .29% 2003–04: 1.66% 2004–05: .00 2005–06: .92 2006–07: .30	≤.25% of loan portfolio	≤.25% of loan portfolio	• Patient lender • Regular client visits • Counselling for fishers and aquaculturists • As of March 31, 2007 write-offs were .30%

Appendix A

Key Statistics—2006

Industry Income	
Landed value + aquaculture sales	\$639,051 million + \$42,240 million = \$681,291 million
Average Lobster Income	
Landed value ÷ licence holders	\$359,640 million ÷ 3,091 = \$116,350 million
Creation and Maintenance of Direct and Indirect Jobs	Estimate 8,925

Appendix B

Latest Commercial Fishery Landed Values for Nova Scotia—2006

Groundfish	Pelagic	Scallop	Lobster	Shrimp	Crab
\$81,493,000	\$39,976,000	\$76,450,000	\$359,640,000	\$44,519,000	\$33,530,000

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 2008–2009

Nova Scotia Gaming Corporation
Business Plan 2008–2009

Contents

Mission

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

Planning Context

The Nova Scotia Gaming Corporation (NSGC), governed by the *Gaming Control Act*, operates in a competitive environment where innovation and corporate social responsibility are the keys to future growth and success. Consumers are faced with an array of choices of where to spend their discretionary entertainment dollars, and the regulated gaming industry must offer a strong value proposition in order to successfully compete. The public demands that government offer regulated gaming in the most socially responsible manner possible, and NSGC must continue to demonstrate that it excels in this area in order to retain the social license to operate and to offer new products to the market that demonstrate Nova Scotia's world leadership in responsible gambling.

To meet the above objectives, NSGC must continue to offer consumers gaming products that are fun, are relevant, and provide entertainment value in an environment of fairness and integrity. This is particularly important given that players have thousands of choices available to them, including both regulated and unregulated gaming sites beyond Nova Scotia's borders. The increasing competition from those games poses significant challenges, as many of NSGC's products are in the mature phase of their product life cycle and have lost some portion of their relevancy to the market. This issue heightens the need for NSGC to innovate and to invest appropriate resources to ensure the success of the regulated-gaming industry in this province.

NSGC's revenues are dependent upon consumers buying its products. This year, NSGC is assuming modest economic growth in the province, stable interest rates, and the risk of rising gas prices. History has shown that major economic impacts can be detrimental to NSGC's revenues. Further, tourists visiting Nova Scotia contribute to revenues when they include a visit to a gaming venue during their stay. Tourism visitation to the province was down in 2007–2008, resulting in a decrease in revenue from this segment. Visitation is not expected to rebound in 2008–2009, and therefore, this impact is reflected in the budgeted performance for the casino business line. In addition, continued growth of First Nations' video lottery revenue, which is expected to increase by 12 per cent over the previous year budget to $51 million in 2008–2009, will continue to be a competitive pressure to NSGC's video lottery and casino business lines.

As in many industries, corporate social responsibility is a critical part of the business model of the gaming industry in Nova Scotia. NSGC launched its Social Responsibility Charter in October 2006, which outlined the corporation's commitment in five pillars:

- responsible gambling
- integrity and security
- citizens and communities
- corporate governance
- stakeholder relationships

These pillars outline what social responsibility in Nova Scotia looks like, 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 achieving these outcomes.

NSGC has ensured alignment to the Social Responsibility Charter in its business efforts for 2008–2009. In particular, the charter's focus on responsible gambling, enhanced prevention programming, and greater accountability is strongly aligned with NSGC's operations.

It is within the above context that NSGC considers the 2008–2009 fiscal year as an opportunity to build on its measurable progress and successes to create an even more socially responsible gambling environment for Nova Scotia and to evolve the future of gambling in this province.

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 fulfil 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
- optimizing benefits to communities, businesses, organizations, and individuals across the province

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

NSGC will advance its social responsibility agenda by

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

- being an excellent employer

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

NSGC will provide strong management and accountability by

- ensuring timely and complete communication to the media, public, and stakeholders
- managing the business of gaming in an efficient and effective manner
- making responsible, evidence-based decisions

Core Business Areas

NSGC's core business functions are as follows:

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

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

1. Responsible Industry Development

Our goal is to develop the gaming industry in Nova Scotia by managing the policy decisions of government in the most responsible way possible. We focus 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 has and will continue to explore new opportunities through planning and policy development. The main focus of this element is to create an environment that is conducive to a sustainable and socially responsible gambling industry in Nova Scotia and aligns with the province's Gaming Strategy.

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

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

2. Operations Management

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

- Operator Management—Effective management of the operators' businesses as they relate to Nova Scotia is a critical function for NSGC to ensure that there is alignment of efforts and that priority initiatives are completed as planned. Ensuring that the operators offer products in an environment of security and integrity is a key goal of this element.
- Risk Management and Quality Control—This involves proactive risk management and effective quality control of NSGC and its operators' operations and business environments.
- Compliance Management—Compliance management is a critical component of NSGC's day-to-day business, requiring that all its business and operators in the province conform to applicable legislation, regulations, contracts, and policies. NSGC has dedicated staff and resources to monitor the timely reporting of any and all gaming-related incidents (whether technical issues, criminal activities, or other). Careful and successful oversight of our operations allows NSGC to identify areas that require improvement or remedy and ensures an industry that is managed to the highest standards of integrity and public confidence and security.

3. Public and Stakeholder Communications

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

Priorities for 2008–2009

1. Pursue a Sustainable Gaming Industry

In striving to generate responsible economic returns, NSGC will focus its attention on the following priorities in 2008–2009.

- **Casino**—The casinos will focus marketing efforts on appealing to the social, occasional gamer by offering an exciting entertainment product that includes musical acts, as well as excellent food and beverage offerings. The Halifax Casino will offer a wide variety and high-calibre entertainment acts, affirming its position as Atlantic Canada's premier entertainment destination. The focus at the Sydney Casino in 2008–2009 will be to offer a unique gaming experience in a competitive market emphasizing new, exciting games in a fun environment tailored to the local clientele and supported by excellent services and hospitality.

- **Ticket Lottery**—The ticket lottery business is NSGC's most mature business line. Given its mature state, reinvention is the key priority in 2008–2009, including a strategy of implementing new products (e.g., Salsa Bingo) and a renewed focus on providing the products that consumers want, where they want them, and with an experience that demonstrates the value proposition of ticket lottery products. The 2008–2009 fiscal year will see an increased allocation of sales to prizes for players. This increase is intended to improve the relevance and appeal of certain products. This is a critical component to the reinvention strategy. Continued emphasis will also be placed on ensuring that these products are offered with the highest standards in integrity and security.
- **Video Lottery**—The focus of the video lottery business line is to stabilize the operations, following the implementation of the Gaming Strategy initiatives and the 100 per cent smoking ban. NSGC will oversee the implementation of the Informed Player Choice System, which is intended to provide personalized information to VLT players about their play so that they can make informed choices. In addition, NSGC will continue to achieve operating efficiencies and will improve the operating standards of this business line.
- **Linked Bingo**—As part of NSGC's Charitable Sector Support Program, Linked Bingo will continue in 2008–2009. Linked Bingo 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

NSGC is committed to ensuring the successful delivery of all initiatives outlined in the Action Plan that accompanies 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, which in turn helps to prevent the next generation of problem gamblers. The cornerstone of NSGC's social responsibility commitment is, and always will be, responsible gambling and prevention programming.

To be effective, the concept of social responsibility must be integrated into existing corporate structures and processes. Every aspect of business and every new program 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 Responsible Gambling Strategy, the objective of which is to provide programs, products, and services to consumers and the public that will empower them to make informed decisions. This will work to prevent future problems and sustain the casual social player base and will help to build a healthy and sustainable industry in Nova Scotia. By following the charter and the accompanying Responsible Gambling Strategy, Nova Scotia and NSGC's role as a world leader in responsible gambling education, awareness, and programs will continue.

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

- leader in the first province-wide Responsible Gambling Awareness Week
- sponsor of YMCA's Youth Gambling Awareness Program
- sponsor of the Responsible Gambling Council's Don't Bet On It program
- continued operations of the Responsible Gambling Resource Centres at the casinos
- leader in the development of the world's first video lottery Informed Player Choice System (IPCS)

NSGC will work to normalize responsible gambling behaviour in 2008–2009 by continuing to build the 360-degree "responsible gambling experience," so that players, retailers, stakeholders, and the general public know that no matter what games they play or what locations they visit, gambling responsibly is the standard and expectation. In addition, NSGC will implement the player-management tool within the casino business line, if research from a pilot project currently under way determines that such a tool facilitates informed choice in that environment.

NSGC will continue to be a significant contributor to Nova Scotia's communities in 2008–2009. A key element in this area is the Support 4 Sport Program, which is expected to raise approximately $2.2 million for amateur sport in 2008–2009. This funding will be paid to and distributed by Sport Nova Scotia. 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 community funding includes the following:

- sponsorship of community organizations and events
- 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 in Nova Scotia produces significant direct benefits for Nova Scotians, including the direct employment of approximately 1,000 people and the injection of $43.3 million in retail commissions to local Nova Scotia businesses. In 2008–2009, NSGC will provide $152.0 million in revenue to fund provincial programs in areas such as health care and education. Given that the direct benefits of gaming are significant, NSGC must ensure that the gaming industry continues to run 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. In addition to building on its extensive public reporting and consultation in the 2007–2008 fiscal year, NSGC will further enhance its website to serve as an important interactive resource for those looking for information about responsible gambling and the gaming industry in Nova Scotia.

Performance 2007–2008

1. Pursue a Sustainable Gaming Industry

The growth and sustainability of any industry requires both determination and flexibility to respond to changing market conditions and consumer needs. NSGC's commitment to gaming security, integrity, and fairness, as well as a strong focus on responsible gambling, are critical components to ensuring a successful gaming industry for the province and the people of Nova Scotia.

The ticket lottery business, operated in Nova Scotia by the Atlantic Lottery Corporation (ALC), is NSGC's most mature business line, but also offers the greatest potential for expansion and innovation. The introduction and availability of new technologies provide exciting new opportunities, offering consumers greater variety and choice. In 2007–2008, ALC launched iBingo and other games to its PlaySphere website, and it continues to find new ways to use technologies to provide consumers with a more exciting and interactive game play experiences.

NSGC continued the SuperStar Bingo in Nova Scotia, which provides electronically-shared gaming and larger jackpot opportunities to players through over 50 bingo-sponsoring charities in the province. A full 25 per cent of gaming revenues is paid back to charities, an amount that reached $1 million in November 2007 and that was used by charities to perform their good work throughout the province.

The Support 4 Sport Program was launched as a fully branded program in May 2007 and saw continued success throughout 2007–2008. NSGC dedicates 100 per cent of funds raised from the sales of specially-marked tickets to amateur sport in Nova Scotia through the Support 4 Sport Program. Athletes, coaches, and community programs across the province benefit from the funds, which are expected to reach $2 million this year. Research shows that 78 per cent of Nova Scotians support the Support 4 Sport Program and more than 80 per cent of Nova Scotians believe that NSGC should dedicate funds generated by gambling directly to specific programs or services such as Support 4 Sport.

The issue of retailer wins was identified early in 2007 and presented a significant challenge for NSGC and the gaming industry worldwide. In the fall of 2006, the CBC television program The Fifth Estate aired the results of their findings that ticket lottery retailers in Ontario were winning more often than statistically possible. This revelation propelled NSGC into action, calling for a review of all ALC policies and procedures related to ticket lottery wins. NSGC further engaged the same statistician used in Ontario to conduct a similar analysis of Nova Scotia's data on retailer winnings, which produced similar findings.

This information led NSGC to take immediate and important action in March of 2007.

- NSGC provided immediate direction to ALC to address player security. The installation of self-ticket checkers, which display the amount won, was completed at all retail locations, allowing customers to check tickets themselves. A signature line was added to tickets, requiring clients to sign for identification purposes, and retailers are no longer permitted to accept unsigned tickets from consumers for validation. In addition, ALC completed the installation of customer-facing signs, called T-Bars, which allow customers to instantly see whether or not they have won a prize and the prize amount. Beginning in August, players presenting winning tickets at retail locations have their tickets stamped "paid" and receive both the winning ticket and the validation slip to keep. ALC also introduced their Way to Play campaign in the second quarter, to reinforce simple ways to play ticket lottery, helping ensure that players protect themselves and their winnings.

- NSGC met with the RCMP to begin the process of a review of all customer complaint and retailer win files to determine whether any merited further legal investigation. This review is expected to be completed by March 2008.
- NSGC led the pursuit of a broad-scope review of all ALC's operations, which now includes the participation of the other three Atlantic provinces. This review will be completed in the winter of 2008.

NSGC continues to closely monitor this area of concern, leading the industry globally, and responding with concrete action and decisive change.

The video lottery business line reached its target market removal of 1,000 VLTs (the last 200 through attrition in 2007–2008), fulfilling direction set out in the province's Gaming Strategy. NSGC developed and implemented a new set of retailer policies, which lay out a clear set of requirements and standards for VLT operation in Nova Scotia. The standards address the quality of premises and areas of play, as well as critical matters of security, control, responsible gambling commitments, and regulatory compliance. Revenues from this business line performed under target as a result of a shift in play to First Nations' sites, which are not operated by NSGC. Some customers prefer First Nations' sites due to differences in the operating environment: NSGC's sites do not permit smoking, and VLT operations end at 12 midnight each day; First Nations' sites permit smoking and allow VLTs to operate past midnight. VLT revenues at First Nations' sites were $48.0 million in 2007–2008, over budget by 5.7 per cent.

In November 2007, NSGC announced that it would be moving forward the world's first video lottery Informed Player Choice System (IPCS) in Nova Scotia. The announcement came after two years of ground-breaking research into responsible gambling features. Based on promising findings of three independent researchers and a successful request for proposal process, a contract was awarded to Techlink Entertainment. The IPCS technology will be on all VLTs and will empower Nova Scotia video lottery players with real-time, interactive and personalized information about their play. NSGC's objective is to help players make more informed decisions, which will move Nova Scotia closer to creating the most informed player base in the world.

The Casino Nova Scotia business line is operated in Nova Scotia by Great Canadian Gaming Corporation (GCGC) in Halifax and Sydney. The casinos compete with other entertainment offerings in very active marketplaces, and so emphasis is placed on unique positioning, successful advertising, and product delivery. Work in 2007–2008 concentrated on expanding and building the entertainment portfolio with a greater variety of live performances, new gaming introductions such as the highly popular Texas Hold 'Em Poker tournaments, and enhancements to the food and beverage lines. Marketing initiatives focused on building stronger relationships with existing clients, as well as reaching new audiences.

In July, NSGC and Casino Nova Scotia began piloting a player information kiosk at the Halifax and Sydney casinos as committed in the provincial Gaming Strategy. The kiosk, MARGI (Mobile Access to Responsible Gambling Information), was developed by the Responsible Gambling Council of Canada and provides players with several tools to help them manage their play. The Responsible Gambling Council of Canada will be utilizing casino guest feedback and usage levels of MARGI in its evaluation of the pilot.

Through the corporation's Charitable Sector Support Program, NSGC's is focused on helping charities better help their communities. Improving charitable gaming is key to achieving a more balanced and socially responsible gaming industry in Nova Scotia. The program encourages strategic relationships with charitable organizations that share NSGC's values. Through initiatives such as Bingo Seminars, SuperStar Bingo, and Monte Carlo Casino Night fundraisers, NSGC's hope is that with their donations of time and resources, charities will be able to raise even more money for their communities.

2. Foster Social Responsibility

In 2007–2008, NSGC continued its focus on social responsibility and building upon its strong and demonstrated commitment to responsible gambling. Highlights include the following.

- Nova Scotia's sixth annual Responsible Gambling Awareness Week (RGAW) was held from September 30 to October 6, 2007, and targeted six communities (Halifax Regional Municipality, Cape Breton Regional Municipality, Amherst, Kentville, Antigonish, and Yarmouth), which represents approximately 60 per cent of Nova Scotians. Almost 1,100 people were reached directly by attending the Responsible Gambling Conference, community consultation sessions, interactive community education displays, and speaking engagements. RGAW 2007 resulted in 70 per cent of target community residents being aware of responsible gambling activities, 85 per cent supporting the concept of a Responsible Gambling Awareness Week, and 74 per cent agreeing that RGAW demonstrates NSGC's commitment to responsible gambling.

- RGAW 2007 saw the launch of NSGC's Responsible Gambler ad program. The purpose of this campaign was to demonstrate what it means to gamble responsibly and to provide real and tangible examples of responsible gambling behaviour that are meaningful to average Nova Scotians. The Responsible Gambler was advertised through a variety of media across the province, including television, radio, Internet, and newspaper during the month of October 2007. Over 15,000,000 media impressions were made. Information was also distributed to residences and businesses as well as point-of-sale locations for a potential reach of over 170,000 Nova Scotians. By understanding exactly what responsible gambling means, Nova Scotians will be better able to practise that behaviour themselves if they choose to gamble. Results showed that 48 per cent of respondents could recall the Responsible Gambler campaign when aided, which was 8 per cent above the target. Sixty-one per cent of respondents who could recall the ad campaign correctly identified the campaign's main message, a figure 11 per cent above the target. The Responsible Gambler website also had 6,164 hits, which was more than 4,000 over the target.

- Know the Score, an interactive, peer-led awareness program, continued to visit post-secondary schools around the province in 2007–2008. The Responsible Gambling Council's (RGC) program is designed to provide college and university students aged 19–24 with the facts about gambling, including the risks involved, how to avoid the risks, how to identify signs of a gambling problem, and where to get help for a gambling problem in their local community. NSGC's sponsorship allowed a total of 13 campuses to be visited in 2007–2008, directly reaching over 6,000 students. Since NSGC first began sponsoring Know the Score in 2004, over 28,000 students have participated in the program. Results from the program in 2006–2007 reflect a successful outcome, including that 84 per cent of respondents increased their awareness of signs of problem gambling and 91 per cent increased their knowledge of how to limit their risks.

- NSGC also sponsored the delivery of RGC's *House of Cards*, a compelling high school drama about a university student who becomes more and more focused on his next bet. A Nova Scotian production of the drama visited 18 schools in the province. This production builds upon the success of *Caught in the Game*, also created by RGC, which was performed in 16 high schools across the province and reached over 4,300 students in 2006–2007. The last evaluation of

Caught in the Game, was positive, with 76 per cent of students agreeing that they were more aware of ways to avoid problem gambling, and 80 per cent agreeing that they were more aware of where to get help for a gambling problem.

- The Responsible Gambling Resource Centres (RGRCs) continue to operate at both the Halifax and Sydney casinos. In July 2007, the RGRC in Halifax relocated within Casino Nova Scotia to a more central location on the gaming floor. This provides more exposure for the centre in a high-traffic location. The focus of the RGRCs is to provide information, education, and when appropriate, linkages to resources including voluntary self-exclusion and counselling in the community. The centre has proven to be a valuable resource for casino visitors and staff alike.
- NSGC introduced a new measure in 2007–2008 that requires the corporation and its operators to conduct social responsibility assessments for every new project, program, and initiative. This process is meant to ensure that all initiatives are evaluated according to standards established in the assessment, ensuring that the highest level of social responsibility is adhered to in Nova Scotia's gambling industry.

3. Ensure Accountability and Communications

There is continued emphasis on NSGC's responsibility to inform the public about the activities of the gaming industry and to report to its shareholder, the Government of Nova Scotia. NSGC provided written correspondence on a number of initiatives to relevant municipalities, chambers, and other gaming jurisdictions to provide information deemed relevant and timely on responsible gambling initiatives and business-related updates. Also, over the last year, many of NSGC's staff met with key stakeholders to ensure a reciprocal understanding of the gaming industry's challenges and opportunities.

NSGC met with senior representatives of the Atlantic Lottery Corporation and Casino Nova Scotia, on a monthly basis in order to monitor activities and ensure compliance with regulation, responsible gambling activities, and their respective 2007–2008 business plans.

In October 2007, NSGC released its first *Social Responsibility Community Report*, a public document that demonstrates how NSGC is fulfilling the commitments of the Social Responsibility Charter on a yearly basis.

In 2007–2008, NSGC was very active communicating with the media, public, and other key audiences, responding to more than 100 media and public inquiries, encompassing various topics and issues.

Budget Context

	Forecast 2007–08 ($,000)	Budget 2008–09 ($,000)
Revenues		
Ticket lottery	204,600	218,900
Video lottery	140,000	150,800
Halifax Casino	71,200	65,300
Sydney Casino	22,600	21,900
Other income	300	300
	438,700	457,200
Expenses		
Ticket lottery	150,600	167,700
Video lottery	17,700	21,000
Ticket and video lottery retailer commissions	42,200	43,300
Halifax Casino expenses	60,700	55,200
Sydney Casino expenses	17,800	17,000
Responsible Gambling Programs	3,400	4,500
NSGC operating expenses	3,500	3,500
	295,900	312,200
Net Income before distributions	142,800	145,000
Distributions to community programs		
Harness racing industry	1,000	1,000
Nova Scotia Health Promotion and Protection	4,200	4,200
Nova Scotia Gaming Foundation	700	700
Support 4 Sport Program	2,000	2,200
Department of Agriculture	50	50
Department of Tourism, Culture and Heritage	50	50
Charitable Sector Support Program	300	600
	8,300	8,800
Net Income after distributions	134,500	136,200
Casino Win Tax	17,000	15,800
Payment to province	151,500	152,000

Outcomes and Performance Measures

Outcome	Indicator	Measure	Base Year Measure (2007–08)	Target 2008–09	Target 2011–12	2008–09 Strategies to Achieve Target
Economic Sustainability	• Total payment to province	• Actual to budget	• $151.5 million (+/–10% of budget)	• $152.0 million (+/–10% of budget)	• $163.2 million	• Monitor operators to ensure compliance to business plans
	• VLT as % of total net income	• Stabilize % of net income from operations	• 62%	• 67%	• 65%	• Introduction of new ticket lottery products and entertainment enhancements to the casino business
	• Commissions to retailers	• $ amount	• $42.2 million	• $43.3 million	• $48.7 million	
Social Responsibility	• Awareness of responsible gambling activities	• % of public aware of responsible gambling activities	• 65%	• 70%	• 75%	• Enhancement of Responsible Gambling Awareness Week
	• Awareness of NSGC as sponsor of responsible gambling initiatives/messages	• % of Nova Scotians who cite NSGC as sponsor of responsible gambling initiatives/messages	• 10%	• 15%	• 30%	• Implement key community outreach programs
	• Implement responsible gambling programs	• # of effective/researched responsible gambling programs introduced	• 2 per year	• 3 per year	• 5 per year	• Launch of responsible gambling programs for high-risk populations
Accountability	• Response to routine access requests for information	• % response within two business days	• 100%	• 100%	• 100%	• Sound operations management
	• Reports submitted on or prior to legislated deadlines	• % of NSGC and operator reports provided before due date	• 100%	• 100%	• 100%	• Targets to be incorporated into employee personal performance plans
	• Introduction of socially responsible products	• # of products introduced with social responsibility assessment	• 100%	• 100%	• 100%	• Social Responsibility Assessment

Crown Corporation
BUSINESS PLANS
FOR THE FISCAL YEAR 2008–2009

Harbourside Commercial Park Inc.
Business Plan 2008–2009

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Message from the Minister and the President

Harbourside Commercial Park Inc. (HCPI) was established by Executive Council in August 2006, at the same time a second Crown corporation, Nova Scotia Lands Inc. (NSLI), was established. NSLI, while active in site-remediation activities, also provides a number of project management services for HCPI. In 2007–2008, the business plans for both Crown corporations were presented as a combined business plan.

HCPI started operations as a Crown corporation in fiscal 2007–2008. With the decommissioning of Sysco basically complete and attention now turning to site remediation and redevelopment, HCPI was created to manage commercial development of the remediated areas of the former Sydney Steel plant site.

In 2007–2008, HCPI successfully concluded the sale of the land to ProtoCase Inc. This was the first land sale for HCPI for the construction of a new building and is seen to be an important beginning for HCPI in meeting its mandate of establishing a viable commercial park on the former Sysco site. To date, there are 16 tenants on the newly established commercial park site.

In addition, several companies are negotiating land and building purchases. One major tenant is the Cape Breton Regional Municipality, which has entered a lease-to-purchase arrangement for a large building, formerly part of the steelmaking operation.

In 2008–2009, HCPI will continue to focus its efforts in ensuring the successful operation of the park. Former Sysco management staff will be retrained for property management activities. The site redevelopment plan is being updated to reflect changing usages. An additional 30 acres (12 hectares) of the former steel plant property will be remediated, redeveloped, and added to the existing 65-acre (26-hectare) commercial park. All of these redevelopment activities will have positive implications for the municipality's tax base.

The Hon. Murray Scott

Minister of Transportation and Infrastructure Renewal

Gary Campbell

President,
Harbourside Commercial Park Inc.

Mission

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

Link to the Corporate Path

As a Crown corporation, HCPI's strategic objectives and priorities are designed to assist the government in achieving its goals of vibrant communities and economic development. The successful development of a commercial park on the former Sysco site contributes to the economic and environmental well-being of Sydney and Cape Breton Regional Municipality.

The ability of HCPI to attract new businesses to the former Sysco site signals to all that the province has been successful in changing the focus of activities on the former site. Previously, efforts had been concentrated on the demolition of the former steel plant. Since that has been basically completed, the focus has now turned to remediation and commercial redevelopment.

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 on 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 65 acres (26 hectares) of the former Sysco site have been completely decommissioned and remediated. In 2007–2008, HCPI purchased this land along with other properties from Sysco at fair market value. HCPI will manage the process of selling and/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 made 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 the province's objectives with respect to establishing a fiscally viable commercial business park at the former steel mill site.

More specifically HCPI will

- develop Harbourside Commercial Park into a premier commercial park through marketing and site development
- provide business and other opportunities to the communities of the Cape Breton Regional Municipality
- expand and evolve the site as property is remediated and purchased from Sysco
- maintain sound health and safety practices in order to minimize the potential risk of injury to workers, visitors, tenants, suppliers, and others who may visit the site
- maintain adequate security on the site to prevent the loss of provincial property and site assets
- as the sole owner of SUL, ensure that SUL manages the liabilities associated with the existing major water treatment and distribution utility, located in Sydney River. SUL will also manage the former Grand Lake water system, which may be reactivated to provide a process water supply to Harbourside Commercial Park

Core Business Areas

The following are the core business functions HCPI.

HCPI Operations

The location of HCPI is ideal as a commercial business park. HCPI's core objectives are the continued development and operation of the park and all associated buildings and facilities, including a subsidiary company (Sydney Utilities) to manage the water supply for the park facility.

Former Sysco Site Redevelopment

As the former Sysco site is remediated, work will continue to evolve the property into useful and valuable real estate that will be managed by HCPI.

Planning for Future Site Development and Use

As more property is remediated and purchased by HCPI, HCPI will continue to develop a long-term plan that clearly establishes its vision for the site. 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.

Priorities for 2008–2009

HCPI Operations

- Attract new tenants to the commercial park.
- Continue to enhance the front end of the Sysco site, through infrastructure development and aesthetic enhancement, making the site attractive to business and community.
- Complete restoration of buildings designated for use in the park.
- Develop and implement marketing strategies promoting the commercial park and its assets.
- Create a new HCPI website, as a sales and information tool promoting the park.
- Assist the Whitney Pier Historical Society in their efforts to develop a walking trail adjacent to the park, making resources and land available where possible.

Development of Infrastructure on Existing Remediated Lands

- Complete greening project on the south end of site.
- Install rail through the east/central area of site.
- Extend Inglis Street and Wabana Street to the Cross Road.
- Landscape areas adjacent to new roads.
- Open Sydney Port Access Road to public.
- Realign fencing, releasing cleaned and remediated real estate to HCPI. This will include all lands to Cross Road.

Planning for Future Site Development and Use

- Working with key stakeholders, develop a vision for the future of the park.
- Develop a long-term strategic plan for the future use of the site.
- Develop a financial plan to assist with the future purchase of remediated lands of the former Sysco site, as they become available.

Budget Context

	Estimate 2007–08 ($ 000s)	Forecast 2007–08 ($ 000s)	Estimate 2008–09 ($ 000s)
Revenue			
Leases and rent	750	750	750
Sale of land	—	40	25
Other	—	20	—
Total revenue	**750**	**810**	**775**
Expenses			
General operating expenses	450	554	581
Project management	110	33	65
Management fees	110	112	112
Leasehold improvements	—	157	—
Total expenses	**670**	**856**	**758**
Net income (loss)	**80**	**(46)**	**17**

Outcomes and Performance Measures

Core Business Area 1 ***Harbourside Commercial Park Operations—property management, leases, property sales, and management of contracts***

Outcome	Indicator	Measure	Target: 2008–09	Strategies to Achieve Target
Continue development of commercial park	Additional services online	Additional property available for sale or rent	65 acres (26 hectares)	Management of various contracts
Turnover of infrastructure (roads, sewer, water) to municipality		Acceptance by CBRM	All of Phase One infrastructure	Meetings and legal correspondence with CBRM
Sale of developed industrial lots	Surveys completed	Number of deeds prepared	4 lot sales	Marketing activities
Rental of office space	Square footage available for rent	Number of leases	15 leases finalized	Marketing
Promotion of park facility		Number of inquiries		Promotional material prepared

Core Business Area 2 *Development of Infrastructure on Existing Remediated Lands*

Outcome	Indicator	Measure	Target: 2008–09	Strategies to Achieve Target
Continued development of roads and services		Amount of infrastructure completed	1.5 km of new roads and services	Management of construction contracts
Additional property remediated for redevelopment		Level of site remediation activity	Approximately 70 acres (28 hectares)	Management of environmental engineering contracts

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

Outcome	Indicator	Measure	Target: 2008–09	Strategies to Achieve Target
A final long-term land use plan		Updated planning report under way	Final land use plan	Planning consultant contract

Crown Corporation
BUSINESS PLANS
FOR THE FISCAL YEAR 2008–2009

Nova Scotia Harness Racing Incorporated
Business Plan 2008–2009

Contents

Mission

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

Performance in 2007–2008

During the 2007–2008 fiscal year, a total of 104 live race dates with an increased number of dashes were achieved with the assistance provided by the Government of Nova Scotia. This assistance was also responsible for the successful Atlantic Sire Stakes races.

The track in North Sydney, Northside Downs, received approval from the Maritime Provinces Harness Racing Commission to hold 29 race dates for the season, and their first race date was June 9, 2007. This track, located on the Cape Breton exhibition grounds, had been used as a training track for years, with matinee races held occasionally. The Inverness racetrack has maintained a good population of horses. Truro has had a surplus of horses for a few years now. For the past two years, Truro has found it economically feasible for the purse pool to suspend racing for a few weeks during the winter.

The Liaison Officer continues to divide his time between carrying out tasks for the Nova Scotia Harness Racing Industry and the Maritime initiative.

During 2007–2008, an additional $375,000 was granted to the harness racing industry by Cabinet (Economic Development budget). That amount includes $100,000 per track for track improvements requiring a project proposal prior to release of funding, as well as funding for an economic feasibility study of the harness racing industry in Nova Scotia. This study is to be complete by March 31, 2008.

Strategic Goals

- Strive to improve the product, namely live harness racing, to be competitive in the entertainment market.
- Maintain improved relationships between racetrack management and the horsemen by treating each other as partners rather than adversaries.
- Secure adequate long-term funding through government liaison and corporate sponsorships.
- Improve media coverage of both live racing events and the industry in general.
- Encourage continued quality in the Standardbred horse for the harness racing industry.

- Use the Nova Scotia Harness Racing Industry Association to provide leadership for the industry in Nova Scotia.
- Work towards expanding the product into additional fields beyond live racing events and offer alternative forms of gaming and sports to generate interest and income through improved "entertainment centres."

Core Business Areas

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

Entertainment

The entertainment aspect consists of three components:

1. live racing events/pari-mutuel wagering
2. simulcast wagering/telephone account wagering
3. gaming/video lottery terminals

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

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

Simulcasting of racing events beyond the local racetracks continues to be a major supporting funding source for the industry, making up 88 per cent of wager income. Teletheatre locations for 2007 were located at Cinder's Bar & Grill, Amherst; Chuggles Restaurant, Antigonish; Sackville Superbowl, Lower Sackville; Brewster's, Bedford; The Hoff Pub & Grill, Inverness; The Port Hood Fire Hall, Port Hood; Rollie's Wharf Restaurant & Lounge, North Sydney; and the Meridian Hotel, Sydney. The Canadian Pari-Mutuel Agency reduced its requirements for racetracks to be eligible to establish teletheatres to less than 50 race dates and has to be approved by the Maritime Provinces Harness Racing Commission. Smaller racetracks such as Inverness can now negotiate sites within their market areas, and that has been taking place.

Video lottery terminals (VLTs) continue to be viewed as integral to the development of raceway entertainment centres.

Nova Scotia's industry recognizes that track sites cannot survive with only live racing and simulcast events and that they must become entertainment centres that appeal to a broader section of the public. The VLT restrictions in Nova Scotia could become an obstacle, but industry views the change in ownership of the casinos as positive.

Genetics

Maritime-bred horses continue to do well when competing outside the region. Standardbred horses represent a rural economic development opportunity. Horse production facilities can be established on sites where other forms of agriculture cannot exist, because horses have an aesthetic appeal. The breeding, rearing, and training of the Standardbred horse are key activities for both the farming communities of Nova Scotia and the live racing events at the province's three raceways. Stakes races for colts and fillies born or bred in Nova Scotia were established in Nova Scotia in 2006 and will continue in 2008.

Budget Context

Revenues	Estimate 2007–08 ($)	Forecast 2007–08 ($)	Estimate 2008–09 ($)
NS Funding	1,000,000	1,000,000	1,000,000*
		675,000*	
Total Revenues	1,000,000	1,675,000	1,000,000

Expenditures	Breakdown will not be finalized until after budget approval		
Special Stakes	17,500	17,500	17,500
Atlantic Sire Stakes	186,075	184,826	200,000
Purse Subsidy Reimbursement	579,118	595,407	565,000
Maritime Provinces Harness Racing Commission	130,000	120,000	135,000
Operational Costs—Meeting Expenses	1,500	1,200	1,500
4-H and Matinee Tracks	5,000	3,250	5,000
Nova Scotia Stake Series	22,907	26,617	25,000
Liaison Officer Position (includes participation on Maritime HR Development Council)	35,000	35,200	40,000
Scholarship	1,000	1,000	1,000
Allotment to access other funding sources/Ind Development	21,900	10,000	10,000
Northside Downs Track Upgrading	—	5,000	—
Track Facility Development	—	600,000	—
Industry Study/Marketing	—	75,000	—
Total Expenses	1,000,000	1,675,000	1,000,000

* Includes Economic Development funding

Forecast Background

With three tracks providing live racing, there were 104 live race dates for 2007–2008. Officiating costs are projected to be up from 2006 with three tracks racing, although Northside having a late start and Truro shutting down for a few weeks will help to balance off any increase in officiating expenses. Industry would like to see the funds for officiating provided to the Maritime Provinces Harness Racing Commission (MPHRC) from the Maritime Premiers' Office rather than having the industry fund that expense.

A Nova Scotia stakes series was initiated in 2006 in an effort to encourage local breeders to produce high-performance racehorses and provide racing opportunities for these local products and a local product for simulcasting. It was a new budget subject in 2006–2007 and continued in 2007–2008.

Budgeting for the liaison officer position, which was cut back in 2007–2008, will utilize that full amount.

Operating costs—meeting expenses (exclusive of administration costs) to manage the fund will come in below allocation and are projected to be $1,200. The 4-H and matinee track fund came in slightly under budget at $3,250. With three tracks operating, officiating costs were projected to be substantially higher; however, with Northside having a delayed start and Truro shutting down for a couple of weeks in February, the officiating costs will be slightly lower than projected.

Outcomes and Performance Measures

Core Business Area 1 *Entertainment*

Outcome	Measure	Base Year	2007 Actual	2008 Target	Strategies to Achieve Target
More live races	Increase in live races from base	2002: 100 race dates	104 race dates	Increase live race events	Long-term agreements
More horse owners	# of owners	2002: 403 owners	600	625	Improve income for owners
Increased bet	Amount of wager	2001: Gross bet $12.8 million	Total wager: $11.6 million	Increase gross bet by 10% over base year	Promote industry to grow fan numbers
More entertainment	Attendance	2001: 70,000	72,000	Higher attendance	Expand entertainment options

Core Business Area 2 *Genetics*

Outcome	Measure	Base Year	2007 Actual	2008 Target	Strategies to Achieve Target
More horses in race cards	Horse population	2001: 480 Standardbreds	680 Standardbreds racing	720	Improve promotion of industry
Greater interest in horse ownership	Avg. sale year	2001: $4,400	$5,400	Increase prices of horses; emphasis on Nova Scotia–bred horses	Promote the Nova Scotia Stakes

Background Information For Targets

- Live race dates were 104 for 2007, but more dashes were held, reflecting higher horse numbers.
- Horse owner numbers continue to grow, especially in Inverness and Northside.
- Attendance was up slightly in 2007 for the three racetracks. The Nova Scotia Stake Series and increased races with the opening of Northside have contributed to this increased interest.
- Total wager was down from the previous year, reflecting the trend across Canada.
- There were more horses in race cards at Inverness and Truro racetracks.
- Fall sale of Standardbreds remains stable.
- The long-range business plan, ending in 2008, for the industry is valid.
- Horse owners and racetrack management at the province's three racetracks continue in a co-operative working relationship and demonstrate a unified position in the industry association.
- Harness racing has become very popular at the Northside Racetrack, North Sydney.

Crown Corporation
BUSINESS PLANS
FOR THE FISCAL YEAR 2008–2009

Nova Scotia Housing Development Corporation
Business Plan 2008–2009

Contents

Message from the Nova Scotia Housing Development Corporation

On behalf of the Nova Scotia Housing Development Corporation, we are pleased to present the corporation's 2008–2009 business plan.

In concert with the Department of Community Services, the corporation provides the base upon which to build healthy and sustainable communities and the foundation for Nova Scotia's families to grow and prosper. Access to safe, adequate, and affordable housing is fundamental to personal well-being, providing a safe place for families to live and raise children and enabling them to participate in the social and economic life of the province.

This fiscal year, we are pleased to build on our close relationship with the Department of Health, as we work over the coming years to provide financial assistance to support that department's 10-year, $260-million Continuing Care Strategy.

We will also establish an interdepartmental committee, with representation from Community Services, Finance, and Treasury and Policy Board, with support from the department's legal counsel, to examine the current governance structure of the corporation and to make recommendations to strengthen accountability and support the efficient and effective discharge of the corporation's business.

For 2008–2009, the corporation will continue to assess its current lending practices and identify new lending opportunities that will enable government to maximize its investment in social and supported housing. This multi-year project looks to the goal of having a clear position, mandate, and policy on mortgage lending.

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

Judy Streatch

Minister,
Department of Community Services

Judith F. Ferguson

Deputy Minister,
Department of Community Services

Mission

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

Introduction

The Nova Scotia Housing Development Corporation, created in 1986, 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.

Link to the Corporate Path

Government's corporate path lays out the foundation for a prosperous Nova Scotia by setting a direction that focuses on:

- creating winning conditions
- seizing new economic opportunities
- building for individuals, families, and communities

The Nova Scotia Housing Development Corporation contributes to building for individuals, families, and communities by ensuring that long-term stable funding options are available to support the work of the Department of Community Services and others like the Department of Health.

Strategic Goal

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

Core Business Areas

The corporation's core business functions are to:

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

Priorities

The following priorities for 2008–2009 are in addition to the many ongoing activities that Community Services staff carry out on behalf of the corporation.

- The corporation will establish an interdepartmental committee, with representation from Community Services, Finance, and Treasury and Policy Board, with support from the department's legal counsel, to examine the current governance structure of the corporation and to make recommendations to strengthen accountability and support the efficient and effective discharge of the corporation's business.
- Working with the Department of Health, over the course of the next several years, the corporation will be to providing financial assistance to support Health's 10-year, $260-million Continuing Care Strategy.

Budget Context

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

Nova Scotia Housing Development Corporation Funding

Funding Source	Estimate 2007–08 ($,000)	Forecast 2007–08 ($,000)	Estimate 2008–09 ($,000)
Revenue from government sources	117,900	110,700	127,300
Revenue from rents	50,600	51,800	51,200
Interest, revenue from land sales and other revenue	3,500	3,700	3,300
Total Funding	172,000	166,200	181,800

Nova Scotia Housing Development Corporation Expenditures

Expenditure Source	Estimate 2007–08 ($,000)	Forecast 2007–08 ($,000)	Estimate 2008–09 ($,000)
Interest on long-term debt	26,000	25,400	25,700
Property management and operations	43,900	55,300	57,500
Maintenance and capital improvements	28,700	20,300	20,500
Housing renovation and affordable housing	24,300	26,900	40,000
Transfer to Housing Services*	35,000	22,800	22,000
Amortization of investment in Social Housing	11,100	11,800	13,100
Administration fee and cost of land sold	3,000	3,700	3,000
Total Expenditures	172,000	166,200	181,800

* Under the terms of the Canada–Nova Scotia Social Housing Agreement, CMHC transfers the federal subsidies to the corporation monthly. A portion of this funding is then transferred to the program's divisions of the Department of Community Services for Social Housing Program subsidies. In addition, gross program expenditures under the Affordable Housing agreement and the New Home Renovation agreement are included in the forecast and estimate amounts.

Outcomes and Performance Measures

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

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

Outcome	Measure	Data	Target 2008–09	Target 2010–11	Strategies to Achieve Target
Government has additional options in managing capital financing for government-sponsored housing.	The amount of financial assistance and/or mortgage guarantees provided to social housing projects.	2005–06 (BY): 10 projects at a total borrowing of $12.87 million 2006–07: 2 projects at a total borrowing of $9 million	TBD	TBD	• Specific targets have yet to be established as results will depend in large part on the pace of development under the Department of Health's Continuing Care Strategy. • The corporation will be providing financial assistance to support the Department of Health's development of new nursing home beds. • The corporation will also continue to foster and pursue partnering opportunities with other departments and government agencies.

Crown Corporation
BUSINESS PLANS
FOR THE FISCAL YEAR 2008–2009

Nova Scotia Lands Inc.
Business Plan 2008–2009

Contents

Message from the Minister and President

With the decommissioning of the Sydney Steel (Sysco) plant basically complete and attention now turning to site remediation and redevelopment, government decided it was time to make changes to the organizational structure as well as the physical structure. With this in mind, in August 2006, Executive Council approved the establishment of two new Crown corporations, Nova Scotia Lands Inc. (NSLI) and Harbourside Commercial Park Inc. (HCPI).

The first year of operation for these two Crown corporations was 2007–2008. At that time, the business plan for both Crown corporations was presented as a combined document. This year both Crown corporations will be producing separate business plans.

One of the major activities scheduled for completion in 2008 is a soil stabilization and solidification project at the north end of the former Sysco site valued at approximately $3 million. To date, 182 000 tonnes of overburden have been removed and in excess of 50 000 tonnes of soil remediated. An additional 800 tonnes of scrap have been salvaged and processed this year.

In 2008–2009, the principal role of Nova Scotia Lands Inc. will be to continue the remediation activities at the former Sysco site, recycle any remaining products of value, and put in place the necessary infrastructure for redevelopment of the site into a viable commercial park facility. NSLI will also put to use the substantial environmental cleanup experience to deal with other provincially owned contaminated sites.

Nova Scotia Lands will continue to focus its efforts on redevelopment of the main former Sysco plant site, along with other former Sysco properties. Co-operative efforts are under way with the Cape Breton Regional Municipality to plan for viable reuse of former Sysco land and assets. Discussions are under way on how to best use the substantial water supply system required for the previous steel plant and coke ovens operations. It is anticipated that these redevelopment efforts will have positive impacts on the continuing efforts to assist the Cape Breton Regional Municipality to rebound from the loss of major industry.

The Hon. Murray Scott

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.

Link to the Corporate Path

The goals and objectives of Nova Scotia Lands Inc. (NSLI) are designed to support the government's objectives and strategies. The remediation of the former Sydney steel plant site, being carried out under the supervision of NSLI, supports the government in its goal of being a leader in a clean and green economy.

A number of the techniques that are being used in the remediation of the former site are innovative. Once the remediation has been completed, it is anticipated that these industries will remain active in Nova Scotia, thereby contributing to a cleaner and greener economy and environment.

Planning Context

As a Crown corporation, NSLI reports to a Board of Directors. The minister responsible for the Crown corporation is the Minister of Transportation and Infrastructure Renewal. NSLI maintains its office at Sydney, Nova Scotia, along with a presence at the department's Head Office in Halifax.

In recognition of the planned wind-up of Sydney Environmental Resources Ltd. (SERL) and the major reduction in the mandate for Sydney Steel Company (Sysco), it was determined that future activity related to the continued remediation of Sysco's property would be conducted by NSLI. NSLI was incorporated in August 2006 and began operations effective April 1, 2007. Approximately 70 acres (28 hectares) of the former Sysco site have been completely decommissioned and remediated. The remainder of the Sysco site will be remediated, over time, by NSLI.

As more land is remediated, it is anticipated that Harbourside Commercial Park Inc. (HCPI), another provincial Crown corporation, will purchase the assets and use the land 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 are the changing environmental regulations. While extremely important, this does have an impact on the timing of the cleanup of the former site. Determining the extent of the environmental remediation required on sites owned by the former Sydney Steel Company that are outside of the Sysco site also presents a challenge.

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

Strategic Goals

NSLI's overall strategy is to advance the province's objectives with respect to decommissioning, remediation, and future use of the former steel plant site, as well as other provincially owned properties. 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, such as the water supply, in increasing 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 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

The following are the core business functions of NSLI.

Former Sysco Site Rehabilitation and Redevelopment

Demolition of the site infrastructure has been completed, and the environmental remediation of the property is well advanced. The majority of steel plant assets have been sold or disposed. Some areas require continued environmental site assessment (ESA) studies and may need further remediation.

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

Environmental Assessment and Remediation of Other Sites

Based on prioritization, some properties will 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, or other activities.

NS Sites Security and Safety

NSLI will adhere to high standards of health and safety in order to minimize the risk to its workers, visitors, tenants, suppliers, and others. The corporation will also undertake initiatives to prevent the loss and/or damage of provincial property by protecting site assets.

Reuse of Blast Furnace Slag, By-Products

Slag materials were produced as a by-product of the steel making process. Presently, there remain several hundred thousand tons of these products on the former steel mill site. It has been demonstrated that several of these products are valuable as construction aggregates, filter media and cement aggregates. NSLI will 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 2008–2009

Former Sysco Site Rehabilitation

- Complete Phase III ESA in the former steel shop area.

- Complete Phase II and III ESAs in the former scrapyard area.
- Complete Phase III in the former rolling mills area.
- Finish remediation of the north end area (HAZCO).
- Remediate other areas (pending ESA results).
- Grade and cap the electric arc furnace dust pit.
- Remediate the bloom mill soaking pits.
- Remediate the high dump sludge.
- Complete the underground fuel pipe removal.

Former Sysco Site Redevelopment

- Complete the greening project on the south end of site.
- Install rail through the east/central area of site.
- Extend Inglis and Wabana Streets to the Cross Road.
- Landscape the areas adjacent to the new roads.
- Open the Sydney Port Access Road to the public.

NS Sites Review and Prioritization

- Review all available documentation related to the sites.
- Meet with those with vested interest (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.
- Develop a priority project list for future remediation consideration.

Environmental Assessment and Remediation of Other Sites

- Undertake physical assessments, if required, on selected sites.
- Initiate CCME-based Phase I ESAs, if required, on selected (higher-priority) sites.
- If issues are identified, develop a priority list to remove public safety hazards at prioritized sites.

NS Sites Security and Safety

- Ensure that all policies and procedures are in place to maintain the lowest possible accident rate.
- Hold “toolbox” meetings with area supervisors and staff, at least weekly, and document meetings.
- Perform at minimum monthly health and safety inspections on work areas.

- Establish health and safety committee(s), where appropriate, ensuring that such committees are dynamic and effective in maintaining or improving health and safety.
- Secure assets associated with sites, in order to minimize the province's potential for loss

Budget Context

	Budget 2007–08 ($ 000s)	Forecast 2007–08 ($ 000s)	Budget 2008–09 ($ 000s)
Revenue			
Management fee from HCPI	110	112	112
Other	—	—	128
Total revenue	**110**	**112**	**240**
Expenses			
Payroll	1,000	718	730
General and administrative expenses	1,500	1,775	1,737
Project management	300	830	560
Security services	300	320	320
Site reconstruction	4,325	3,925	5,900
Cleanup and containment	9,670	2,950	7,325
Total expenses	**17,095**	**10,518**	**16,572**
Recovery from Sysco	**17,195**	**10,500**	**16,400**
Net income	**210**	**94**	**68**
FTEs	10	10	11

Outcomes and Performance Measures

Core Business Area 1 ***Core Business Area: Former Sysco Site Rehabilitation and Redevelopment— Deploy resources to execute projects, manage engineering and services, and assure regulatory compliance.***

Outcome	Indicator	Measure	Target: 2008–09	Strategies to Achieve Target
Deploy resources to execute projects, manage engineering and services, and assure regulatory compliance				
Continue with ESA (environmental site assessment) studies	Receive ESA reports	Percentage of ESA reports accepted	75%	Prepare RFPs and manage ESA contracts
Remove all final scrap metals	Contracts for removal and recycling	Removal is complete	100%	Prepare RFPs for sale of material
Continue with solidification/stabilization (Hazco) contract	Contaminated material treated	Percentage of contaminated material treated	100%	Manage existing contract
Decommission fluidized bed incineration complex	Removal of material	Site is clear of material	100%	Manage demolition contracts
Remove underground piping	Contract awarded	Material is recycled	100%	Manage contracts
Continue development of infrastructure for commercial park		Commercial lots available for sale	Additional 30 acres (12 ha) available for development	Manage contracts

Core Business Area 2 *Environmental Assessment and Remediation of Other Sites*

Outcome	Indicator	Measure	Target: 2008–09	Strategies to Achieve Target
Carry out inventory of other former Sysco lands		Number of sites identified	All properties	Review Sysco and DNR files
Identify potential health and safety issues related to other lands		Health and safety issues identified	All properties	Aerial photography and site visits of various properties

Core Business Area 3 *NS Sites Security and Safety*

Outcome	Indicator	Measure	Target: 2008–09	Strategies to Achieve Target
Complete Master Health and Safety Plan	Comments from reviewers	Final plan accepted	100%	Completion and approval by senior management

Core Business Area 4 *Reuse of Blast Furnace Slag, By-products*

Outcome	Indicator	Measure	Target: 2008–09	Strategies to Achieve Target
Identify opportunities for reuse of slag material	Interest for private-sector companies	Tonnes of material processed and used	100 000 tonnes	Promotion and support to companies using material

Crown Corporation
BUSINESS PLANS
FOR THE FISCAL YEAR 2008–2009

Nova Scotia Liquor Corporation
Business Plan 2008–2009

Contents

Mission

Bringing a world of beverage enjoyment to Nova Scotia.

Mandate

The NSLC is governed by the *Liquor Control Act* (LCA) of Nova Scotia. This act mandates the responsibilities of the NSLC to our shareholder, the people of Nova Scotia. The most fundamental element of the corporation's role derived from the LCA is that the NSLC is solely responsible for the receipt, distribution and control of all beverage alcohol available throughout Nova Scotia. In order to ensure the safe and responsible consumption of alcohol, any products sold through NSLC stores, agency stores, private wine and specialty stores (PWSS), licensees, and private importations must be received through the NSLC. Through this mandate, the government ensures that the product is available only to Nova Scotians of legal drinking age. The legislation also describes four other key responsibilities of the corporation, specifically:

- attainment of acceptable levels of customer service
- promotion of social objectives regarding responsible drinking
- promotion of economic objectives regarding the beverage alcohol industry in Nova Scotia
- attainment of suitable financial revenue for the Government of Nova Scotia.

The NSLC strives to balance its legislated mandate between the control aspects of the product, providing the necessary financial returns to our shareholder, and ensuring a high level of service to Nova Scotians.

The NSLC exists, from a public policy perspective, to limit the harmful impacts of irresponsible behaviour relating to the misuse of beverage alcohol, not only through pricing policies, but through the control of access to the product. It is important to note that the licensing and regulation of all bars, restaurants, pubs, lounges, etc., rests with the Nova Scotia Alcohol and Gaming Authority.

In the retail environment, the NSLC is focused on ensuring that the product is sold only to those of legal drinking age and on delivering in-store messaging about the need for safe and intelligent consumption. The NSLC also has in place minimum pricing for all products to ensure that excessive discounted pricing is not used to induce harmful consumption.

Externally, in fulfilling our legislated mandate, the NSLC focuses on advocacy, raising awareness of the impact of irresponsible behaviour regarding alcohol consumption. The NSLC approach in this regard includes partnerships with the Nova Scotia Departments of Transportation and Infrastructure Renewal, Education, Health Promotion and Protection, and Solicitor

General, as well as with most police services across the province.

The NSLC is mandated to provide the government with strategic public policy advice on the regulatory aspect of the Liquor Control Act and the economic development of Nova Scotia's beverage alcohol industry, providing opportunities for Nova Scotia beverage alcohol producers to optimize the retail of their products.

The NSLC has developed, based on its legislated mandate, a statement of purpose to guide all employees over the coming years. The NSLC purpose, vision, and culture statement goes beyond the legislated requirements to describe and inspire our people as to the type of business we wish to become.

Vision

To be recognized as a superb retailer, known for our business performance, customer focus, and vibrant shopping experience, eliciting the pride and enthusiasm of Nova Scotians.

Culture

Living our purpose and vision entails a culture that

- encourages innovation and creativity
- engages employees in achieving success
- is driven by customer needs
- demonstrates respect and dignity in all we do
- makes it a fun place to work
- advocates intelligent consumption

Planning Context

Over the past few years the NSLC has undergone a profound transition to a customer-focused retail organization vying for the consumers' entertainment dollar and disposable income. Successful retailers provide customers with a complete shopping experience. This means constantly evolving the customer shopping experience by engaging customers with store atmosphere, design, staff interaction, staff knowledge, product variety, value offers, and personalized service.

The corporation's future success depends on its ability to respond to these realities and provide shoppers with a retailing experience that meets and exceeds their rapidly evolving needs and expectations. The long-term earnings growth resulting from focusing on customer expectations will be achieved through ongoing strategic investments in all aspects of the business.

Creating the right store and service offering for the right market in delivering on our customer promise is, and continues to be, the key priority.

Market

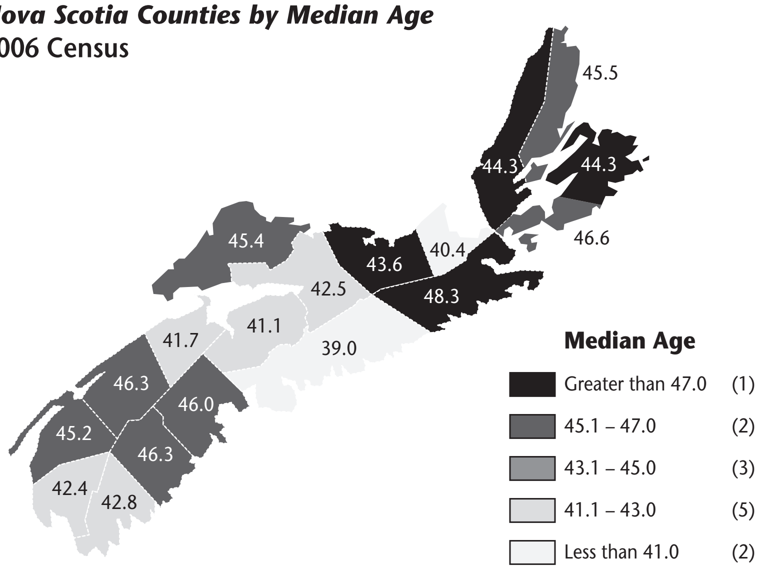
Statistics Canada reports show that 77 per cent of the Nova Scotia population is of legal age to consume beverage alcohol. NSLC surveys indicate that 26 per cent do not shop for alcohol. Hence, the NSLC customer base consists of approximately 535,000 people, most of whom visit an NSLC store at least once a month.

Population growth in Nova Scotia is relatively flat. Not only is the population not growing, it is rapidly aging. The Nova Scotia Department of Finance's second release from the 2006 Census on Age and Sex notes, "The aging of the Baby Boomers coupled with out-migration to other provinces of women of child-bearing age and increasing life expectancy has made the population of Nova Scotia one of the oldest in Canada." An aging population combined with a lack of growth (i.e., fewer younger residents) means the NSLC customer base will grow older, as well. This will drive changes in consumption patterns and product demand.

Another population trend in Nova Scotia is a "hollowing out" of the rural areas of the province. More and more people, particularly young people, are moving to urban centres. The Halifax Regional Municipality (HRM) has benefited from this trend and has the youngest median age in the province.

In general, the more-urban counties in the central part of the province (i.e., Kings, Hants, and Antigonish) have lower median ages than the more-rural counties. There is a significant range of median ages, with HRM being the youngest at 39 and Guysborough being the oldest at 48. This

Nova Scotia Counties by Median Age
2006 Census



variation in the composition of the population across the province is reflected in the makeup of our customer base. The implication being that a "one-store-fits-all" approach in terms of design, format, and merchandising may not be the most appropriate approach. The organization must seek to understand the constituency of each store and align our product and service offering 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, and Antigonish 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. However, 2007 appears to have been a successful year for the province in terms of tourism visits. According to the Nova Scotia Department of Tourism, Culture and Heritage, total visits to Nova Scotia were up every month from June to November 2007. The department's website reported that Nova Scotia welcomed 2 million visitors in the first 11 months of 2007, a 2 per cent increase over 2006.

Wholesale sales account for approximately 19 per cent of the corporation's gross sales. The wholesale market includes the 2,100 licensed establishments in Nova Scotia (restaurants, bars, hotels, and lounges), representing 63 per cent of the total (wholesale market of 19 per cent), private wine and specialty stores account for 8 per cent, and NSLC agency stores represent another 29 per cent of the total wholesale market.

The vendors and agents representing product manufactures and wholesalers are critical stakeholders in our business. There are approximately 80 beverage alcohol agencies in Nova Scotia with approximately 130 registered representatives. The NSLC makes available through various distribution channels up to 5,900 products from more than 50 countries.

Nova Scotia per Capita Consumption

Data on Nova Scotia per capita consumption rates of beverage alcohol by category indicate that 2006 consumption levels of beer and wine continue to run below the national average, even though consumption of wine has been trending steadily up for the last six years. In contrast, Nova Scotia's per capita consumption of spirits has been and continues to be above the national average. The data also reveal that per capita cooler consumption continues to rise in Nova Scotia, while on a national level, the data suggests that cooler consumption peaked a couple of years ago and has started to decline.

Consumption of Alcoholic Beverages per Capita, LDA and Over, by Category Nova Scotia vs. Canada (litres, 2001–2006)

	2001	2002	2003	2004	2005	2006
Spirits (excludes coolers)						
Canada	5.67	5.65	5.57	5.65	5.62	5.82
Nova Scotia	7.08	7.08	6.90	7.07	7.14	7.10
Coolers						
Canada	2.12	2.96	3.25	3.20	3.04	2.80
Nova Scotia	2.31	2.90	3.14	3.56	3.47	3.71
Wines						
Canada	12.31	12.52	13.10	13.36	13.78	13.96
Nova Scotia	7.67	8.04	8.23	8.97	8.97	9.41
Beer						
Canada	90.89	91.74	90.99	91.68	89.75	89.25
Nova Scotia	84.66	86.16	85.06	87.25	84.65	86.64
Total						
Canada	110.99	112.87	112.91	113.89	112.19	111.83
Nova Scotia	101.72	104.18	103.33	106.85	104.23	106.86

Source: Brewers Association of Canada 2006. Annual Statistical Bulletin, p. 37.

The chart above reflects the total litres of beverage alcohol (by spirits, coolers, wines, and beers) that the average person of legal drinking age (LDA) and above consumed in the year. The LDA is 19 across Canada except in Quebec, Manitoba, and Alberta where it is 18 years of age.

In terms of total consumption of alcohol, Nova Scotia consistently falls short of the national average.

Total per Capita Consumption of all Alcoholic Beverages by Province and Canada (litres, 2001–2006)

	2001	2002	2003	2004	2005	2006
Total alcoholic beverages						
CANADA	**110.99**	**112.87**	**112.91**	**113.89**	**112.19**	**111.83**
Alberta	116.37	121.06	117.68	119.96	120.54	122.53
Quebec	118.83	120.95	120.71	120.74	118.50	121.15
Ontario	109.39	110.47	112.37	112.29	110.62	113.23
Newfoundland and Labrador	116.28	119.36	115.22	123.55	112.65	112.92
British Columbia	107.52	107.39	107.05	109.14	109.11	108.07
Nova Scotia	**101.72**	**104.18**	**103.33**	**106.85**	**104.23**	**106.86**
Prince Edward Island	100.51	109.03	103.71	105.96	105.67	105.64
New Brunswick	99.85	103.39	101.56	103.40	102.74	103.26
Manitoba	98.18	100.73	99.57	102.17	98.09	101.13
Saskatchewan	95.77	100.15	98.78	102.45	96.95	98.68

Source: Brewers Association of Canada 2006. Annual Statistical Bulletin, p. 37.

As illustrated in the above chart, Alberta and Quebec have the highest per capita consumption in the country, followed by Ontario and Newfoundland and Labrador. The next group is British Columbia, Nova Scotia, and Prince Edward Island. The bottom three are New Brunswick, Manitoba, and Saskatchewan, which are significantly lower than all others.

Being under the national average in per capita consumption of beverage alcohol would appear to present an opportunity for further growth. As always, this opportunity is balanced against one of our other key responsibilities—to promote social objectives regarding responsible drinking.

Economy

NSLC gross sales are projected to increase by 5.3 per cent for the 2007–2008 fiscal year, outperforming the market. For 2008–2009, the NSLC projects gross sales to increase by 4.5 per cent.

Retail Sales

Retail sales in Nova Scotia grew by 4.0 per cent in 2007 compared to the previous year. The Nova Scotia Department of Finance is forecasting retail sales to grow by 4.4 per cent (or $12.2 billion) in 2008 and to grow by 4.9 per cent (or $12.8 billion) in 2009.

Gross Domestic Product

In December 2007, the Nova Scotia Department of Finance adjusted its 2007 GDP growth forecast from 2.3 per cent down to 1.6 per cent, as a result of lower consumer spending and a decline in business investment. For 2008 the Nova Scotia Department of Finance is forecasting real gross domestic product to grow at 1.7 per cent and projects continued growth of 2.5 per cent for 2009.

Employment

The Department of Finance forecasts employment in Nova Scotia to grow a 0.9 per cent in 2008 and 1.2 per cent in 2009.

Personal Income and Spending

Retail sales comprise 52 per cent of personal consumer spending on goods and services. Nova Scotians' personal income grew by 5.0 per cent in 2006, and for the period ending in December 2007, total wages and salaries grew by 6.3 per cent. Looking ahead, the Department of Finance forecast personal disposable income to grow at 4.2 per cent in 2008 and continue at that same rate in 2009.

The Consumer Price index is forecasted to grow at a rate of 2.0 per cent for 2008 and 2009.

Labour Relations

Almost half of NSLC employees are unionized and are represented by the Nova Scotia Government and General Employees Union (NSGEU). Those in the bargaining unit include all full-time and part-time store clerks, but exclude those working on a casual basis. All store managers and assistant managers are unionized, as are maintenance and warehouse employees. In addition, certain office clerical roles are unionized.

All three of the NSGEU collective agreements were renewed in the last quarter of 2007–2008, and the new agreements are in effect until March 31, 2010. All three settlements were achieved amicably and without a work stoppage.

The labour climate continues to be characterized by an open and collaborative relationship, using a problem-solving approach to address workplace issues as they arise. This is reflected in a reduction in the number of concerns that reach the stage of a formal grievance and, for those that do result in grievances, the ability to settle the majority without resort to arbitration. It is fair to say that the NSLC has a positive labour relations climate.

Business Planning

The NSLC introduced a Five Year Strategic Plan in 2005. The organization follows a continuous planning process, ensuring that this plan is reviewed each year as the NSLC works towards its goals for 2010. The Annual Business Plan outlines the major annual projects and priorities on which the NSLC will focus and deliver in the current year of the five-year plan.

Retail Environment

According to the Retail Council of Canada (RCC), the retail industry is the largest employer in Nova Scotia, accounting for approximately 13 per cent of the labour force and more than $10 billion in annual sales.

All retailers are vying for a larger piece of the Nova Scotia consumer's disposable income. The NSLC is no exception; therefore, we compete with all retail businesses for this portion of income. The Nova Scotia Department of Finance 2007–2008 budget estimated that Nova Scotians' personal disposable income is expected to increase 3.5 per cent in 2008. This increase provides the NSLC with a further opportunity for growth.

The NSLC has successfully implemented strategies that have gained an increased share of disposable income over the past number of years. In addition to the increased, varied, and improved product offering, the NSLC has made it more convenient to shop for beverage alcohol, with an expanded number of stores, increased hours of operation, Sunday store openings, and an expansion of the Agency Store Program. The co-location of approximately 50 per cent of the store network to a major grocery retailer has dramatically improved customer shopping convenience and increased customer satisfaction to the point where the NSLC is now viewed by customers as one of the top retailers in the province.

In the past two years, the NSLC has been recognized with 36 awards by third-party organizations, both nationally and internationally. In 2007, the NSLC was nominated for business of the year by the Halifax Chamber of Commerce and finally recognized in Progress magazine's top 101 companies in Atlantic Canada (4th in Nova Scotia, 11th in Atlantic Canada).

The NSLC received a North American Occupational Health and Safety award for its implementation of a new occupational health and safety (OHS) management system—the first company in Nova Scotia, and one of the first in Canada, to adopt the new standards.

The Retail Council of Canada awarded the NSLC the 2007 Excellence in Retailing Award for In-store Merchandising. The NSLC has also received the IABC Gold Quill Award of Excellence the 2007 and is a finalist in the World Retail Congress Marketing Campaign of the Year award, both for its Lots of Ways social responsibility campaign.

Customer Satisfaction

The NSLC measures customer satisfaction against other retail businesses in the province. This rating includes top-of-mind customer impressions of which are the top retailers in the province, which retailers offer the best shopping experience, and a ranking of retailers by actual shopping experience.

The overall shopping experience provided by the NSLC is rated by its customers as the second best performance of all retailers mentioned. This represents a significant improvement compared to a year ago, when we placed at sixth best performance on the same assessment.

The NSLC has measured customer satisfaction of the key elements of our current five-year plan for the past seven quarters. Since then, our performance has increased 5 per cent, from 82 per cent of customers giving us satisfied ratings to 87 per cent in our last quarter ended December 2007.

Performance

In addition to the improved customer satisfaction, the growth in the return to our shareholder has been unparalleled in our 77-year history. In fiscal 2007–2008, the NSLC forecasts to exceed budget expectations on both top-line and bottom-line growth, achieving net income from operations of $198.1 million on net sales of $529.1 million. The top line is expected to grow by 4.8 per cent with bottom-line growth at 5.2 per cent, compared to the previous fiscal year, and is forecasted to exceed the business plan by 0.5 per cent.

Additionally, as of the end of February 2008, the NSLC wholesale market (which includes licensees, private wine stores, and agency stores) is showing good growth in fiscal 2007–2008 with sales of $93.5 million, representing a 8.8 per cent increase as compared to the previous fiscal year. The growth was largely due to increased sales for both agency stores (+66.6 per cent) and private wine stores (+23.8 per cent). Sales to licensees have decreased by 4.2 per cent as compared to the 2.1 per cent drop in the previous fiscal year. The wholesale market represents approximately 19 per cent of our gross sales.

Corporate Responsibility

The province's sustainable prosperity initiative points out that Nova Scotians want to achieve prosperity and growth in an environmentally and sustainable manner. They are looking for Nova Scotia businesses to meet today's needs, while not compromising our future.

Nova Scotians are no different than consumers and investors globally, who are seeking greater efforts by business to act in a corporately responsible manner. Higher standards are expected and being delivered in the business approach to the environment, trade standards, labour standards, adherence to basic human rights, and sustainable growth.

In addition to the corporation's extensive efforts in the area of the socially responsible consumption of beverage alcohol, the NSLC will be developing all aspects of its business and future planning to ensure sustainable prosperity with a new corporate responsibility plan. The NSLC will also be introducing codes of conduct for its employees and for its suppliers to make clear both expectations and responsibilities around the ethics of conducting business.

NSLC Customers

The key to any successful retail organization is to know your customers—their needs and expectations—to know how to meet these needs, and to anticipate how best to serve them in the future. Traditionally, as a monopoly, the NSLC considered its customers to be everyone in Nova Scotia. However, this is not the case. For many reasons, approximately 26 per cent of legal drinking-age Nova Scotians do not shop at the NSLC, resulting in the NSLC customer being somewhat different, in both profile and needs, from the general population.

Through both quantitative and qualitative research, the NSLC has segmented its customer base in order to offer a better retail shopping experience. Driving this segmentation is the recognition that NSLC customers buy products for specific uses or 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 meal-time experience
- Unwinding: At the end of the day, through the week, alone time

These different occasion types capture why NSLC customers purchase our products. In order to fully understand customer needs and expectations, the NSLC must also answer who is purchasing for these occasions, what they are purchasing for each occasion type, when are they buying, and how much are they spending. The NSLC segments its customers based on their behaviours (captured in answers to the aforementioned questions) and then by grouping them into four customer segments:

- Adventurers: Buy different products across categories, shop more frequently, and spend more on average
- Loyalists: Buy the same product, shop more frequently, and spend more on average
- Discoverers: Buy different products across categories, shop occasionally, and spend less on average
- Maintainers: Buy the same product, shop occasionally, and spend less on average

Through understanding the needs and expectations of our customers, the organization is well positioned to ensure that "the NSLC complements all of life's occasions." This is the essence of the NSLC brand positioning.

Although there may be opportunities to increase revenues with all customer segments, analysis reveals that close to 4 in 10 of our customers (37 per cent) are good candidates for sales growth. More specifically, 8 per cent of the customer base is considered to exhibit the "best potential" for growth, and a further 29 per cent is considered to exhibit "very good" potential for growth.

Growth Composite by Customer Type

% within Quadrant Type of Customer

		Type of Customer				Total
		Loyalists (HV)	Adverturers (HO)	Maintainers (LV)	Discoverers (LO)	
Growth Composite	0 Extremely Low Potential	33%	11%	38%	15%	25%
	1 Below Average Potential	40%	28%	42%	43%	39%
	2 Very Good Potential	23%	44%	17%	33%	29%
	3 Best Potential	3%	17%	3%	10%	8%
Total		100%	100%	100%	100%	100%

The table above illustrates that our best opportunity for increasing revenue lies with the Adventurers and Discovers customer segments, although some Loyalists and Maintainers are also candidates for increased sales.

Two discernible demographic characteristics serve to distinguish the high-potential segments from the remaining customer base. Firstly, high potentials tend to be younger (64 per cent under 45 years of age) and female. Secondly, they are more likely to live in Halifax. Fully 43 per cent of all Adventurers and 44 per cent of all Discoverers live in HRM. Additionally, they show a slight preference for shopping at newer versus older stores.

The unique characteristics of each customer segment and number of like customer segments by store suggest that the NSLC may be able to tailor its activities (e.g., store design, category assortment, displays, impulse opportunities, sales training, added value offering, etc.) to appeal to one customer type or another. However, as a monopoly it remains our responsibility to provide appropriate levels of customer service for all customer segments, in all stores.

Generally, as the Nova Scotia population base shows relatively flat growth and is rapidly aging, our opportunity for growth lies in diversifying the beverage alcohol product available to the market, educating the consumer on the products available, and encouraging trial of better-quality products, all while continuing to advocate for intelligent consumption.

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 logistics of getting the product from its point of manufacture anywhere in the world to the Halifax Distribution Centre in Bayer's Lake and then out to retail stores is an enormous undertaking, which speaks to the efficiency of the business. In addition, the work of supply chain must also meet the needs of licensees, agency stores, and private wine and specialty stores, each with unique customer requirements.

Retail

Once the product is in Nova Scotia, the NSLC is responsible for retailing beverage alcohol to the consumer. It does so through 106 retail stores, ranging from the Wine Baskets located in grocery stores to the high-end Port of Wines store, and 55 agency stores. The NSLC is constantly examining market retail patterns to ensure that the store network is best designed to meet the constantly evolving needs of the consumer.

A key element to retail success is the knowledge, experience, and talents of retail store staff. 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. The wholesale market makes up approximately 19 per cent of NSLC revenue. The NSLC wholesale market involves supplying the province's licensees (restaurants, bars, lounges, and hotels licensed to sell beverage alcohol), NSLC agency stores, and private wine and specialty stores (PWSS) with beverage alcohol products.

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 the strategic planning and financial management of the business, the merchandising and marketing of products, the development of human resource needs, the development and maintenance of our facilities and the store network, the use of information technology to improve the efficiency of the business and facilitate the shopping experience, and the transparent communication of the goals of the organization, both internally and externally.

Regulatory

The NSLC is responsible for aspects of the Liquor Control Act relating to regulating the activities of manufacturers, their representatives, and non-consumer (commercial/industrial/institutional) uses of alcohol. Every manufacturer or their agent must be authorized by the NSLC to represent and/or market particular products and brands in the province.

A major component of the corporation'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 product in areas such as farmer's markets.

Strategic Plan

In 2005, the NSLC released a new Five Year Strategic Plan for the organization, identifying business objectives through 2010 and outlining the customer promise.

Our customer promise states:

The NSLC will provide our customers with service that

- aligns product availability and selection with our customers' needs
- is a vibrant, interactive, and inviting Nova Scotia shopping experience
- ensures discovery and personal service with friendly and professional staff

The focus of the strategic plan is to "transform the NSLC from a place to buy something into a place to shop."

The NSLC has identified five strategic pillars to guide its operations during the period of the 2005–2010 strategic plan:

- **Stewardship**

  As a Crown corporation the NSLC is legislated to deliver its business according to the Liquor Control Act. This pillar sets out how the NSLC will deliver on the responsibility entrusted to it by Nova Scotians.

- **Customer**

  This pillar outlines how the NSLC will deliver on its customer promise.

- **Reputation**

  The overall reputation of an organization impacts its financial success. This pillar sets out the NSLC commitment to enhance reputation and measure progress.

- **People**

  Having the right people, working in an enjoyable and effective work environment, drives success. This pillar sets out how, as a modern retail business, the NSLC will develop its people.

- **Financial**

  This pillar sets out the organization's top- and bottom-line performance expectations.

Each pillar is accompanied by five-year strategies that will be the organization's focus in achieving its goals as outlined in the strategic plan. Each of these strategies has alignment with the priorities of the current fiscal year. The detailed strategies can be found in the NSLC Five Year Strategic Plan. What follows are the highlights of this year's priorities.

Priorities for 2008–2009

Stewardship

Five-Year Goal

- To provide Nova Scotians with the corporate stewardship entrusted to the NSLC under the Liquor Control Act

2008–2009 Priorities

- Develop an inventory of skills and competencies required for the board to deliver on its mandate.
- Design a framework, including skills assessment and member development tools, to support improved board governance.
- Implement enterprise risk management through the development of both reporting and governance processes, including integration with business planning, board and executive committee reporting, and ongoing risk/mitigation reassessment.
- Establish effectiveness measures for intelligent consumption investment.
- Obtain approval and identify funding for a comprehensive Nova Scotia wine development strategy in conjunction with government and industry stakeholders.

Customer

Five-Year Goal

- To match the customer experience with the customer promise (as defined above under Strategic Plan)

2008–2009 Priorities

- Formalize the implementation of the operating standards and monitor performance.
- Develop and appoint product specialists.
- Improve assortment and promotions efficiency and effectiveness.
- Operationalize the wholesale customer strategy.
- Develop online strategy, supported by enhancements to the external website and its functional capabilities.
- Enhance retail promotional capabilities supported by technology.
- Redevelop and implement the customer event strategy.
- Complete store format/customer experience model and gap analysis.
- Adopt revised NSLC regulations, reflecting change in social and business norms since original enactment, and support innovation while minimizing intrusion.

- Renew our focus on the national Check 25 program, a preventative measure to under-age access, by reviewing current practices and implementing further improvements to the program.

Reputation

Five-Year Goal

- To be recognized as a leading retailer in Nova Scotia

2008–2009 Priorities

- Complete store format/customer experience model gap analysis.
- Develop and implement the environmental strategy.
- Initiate preliminary work on the 2010–2015 strategic plan.
- Develop a corporate responsibility plan and report.

People

Five-Year Goals

- To have a highly motivated and engaged workforce
- To develop our workforce, including our leaders, to meet the evolving needs of the corporation
- To have a highly productive workforce

2008–2009 Priorities

- Develop a formal retail recognition program.
- Conduct an employee opinion survey, communicate results, and integrate into business planning.
- Introduce a retail management training program.
- Develop a corporate business planning process, conducted by the senior management group, that improves linkages between the corporate plan and individual business unit plans.
- Develop a pool of potential store management leadership successors, using individual development plans and goals.
- Review casual recruitment strategies, practices, and technology.
- Improve internal web capability to enhance online support for learning, business processes, and improved internal communications.
- Complete development of the HR technology support strategy and implement any HR pay/functionality the strategy dictates should be delivered.
- Develop and initiate a sustainable healthy workplace strategy.

Financial

Five-Year Goals

- To reach a 4.1 per cent annual growth rate over the next five years (ending 2010)

- To contribute $215 million to the province by 2010
- To effectively use our capital

2008–2009 Priorities

- To deliver $554 million in net sales (this will produce a four-year compound annual growth rate (CAGR) of 5.28 per cent):

  – Grow sales based on information derived through improved business analytics capabilities.

  – Improve assortment and promotions efficiency and effectiveness.

  – Review Social Reference Price and category price bands.

  – Implement first phase of SAP benefits realization.

  – Complete stabilization of the new point-of-sale system.

  – Develop and assess Distribution Centre technology strategy to support our retail and wholesale business

- To return $210 million net income from operations to the shareholder:

  – Assess and determine options from the findings of the joint study between the four Atlantic liquor jurisdictions and the Atlantic Gateway Initiative for a Regional Inventory Distribution Model.

  – Reduce less-productive inventory in the Distribution Centre and the retail store network.

  – Implement second year of the three-year network renewal plan.

  – Continue ROI hurdle rate model for prioritizing capital expenditures.

Strategic Enablers

There are important strategic enablers, allowing us to deliver on our 2008–2009 priorities in support of our Five Year Strategic Plan and ultimately allowing us to meet our customer and shareholder expectations. These important enablers are the capital and operating expense plan, customer experience, business planning process, and business analytical capabilities.

Capital and Operating Expense Plan

Prior to becoming a Crown corporation in 2001, our growth was impeded by the lack of investment in the business. The result was that technology and the store network were barely able to keep pace with the demands of a modern retail business to such a degree that fundamental elements of the business were at risk.

The NSLC has increased spending since becoming a Crown corporation to invest in the long-term health of the business. These investments include capital expenditures for the replacement of the core technology that runs the business, now SAP, a new point-of-sale system developed last fiscal year, and the renewal of the store network.

The capital investment over the past three years in SAP has added to our depreciation and amortization for the next three years. In addition, during 2007–2008 the NSLC made an additional major capital investment with the replacement of the point-of-sale system. This will impact the amortization and depreciation expense line beginning in 2008–2009 and continue over the following four years. The NSLC also made a major operating expenditure in the 2007–2008 fiscal year to improve service to the licensee community. This initiative will take three years to show a positive return on investment.

Additionally, over the past three years, the NSLC has 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, we have optimized this opportunity. In future, continued store enhancements that meet the ROI hurdle rate model for capital expenditures will in part be funded by the NSLC.

On an ongoing basis, the business requires operating expenditure investments to enhance the supply chain, the introduction of modern marketing and merchandising practices, improved financial reporting and analysis, and training of employees.

Customer Experience

The relaunch of the NSLC brand presents an overall impression of the organization to our customers through all customer touch points. These include the physical store environment, staff interaction, the logo, product selection and availability, promotions and advertising, impressions left by news media, events, online, many intangible elements, etc. Every place a customer can interact with a company is a touch point, and that touch point affects how the company is perceived. Perception impacts a customer's willingness to respond to a retailer's effort to get them to purchase products.

Brand = Promise + Performance + Perception

The NSLC brand will continue to evolve and move the organization closer to delivering on the customer promise.

Business Planning

The NSLC has developed its business planning process to help guide the organization in meeting its commitments under the Five Year Strategic Plan.

The Corporate Marketing Plan analyses the business as it currently stands and provides a blueprint as to how the NSLC will reach the goals set out in the Five Year Strategic Plan. This includes a vision of the customer experience, the sales culture to which the NSLC aspires, definition and segmentation of the customer base, the optimal cross-category strategy for profitability, and how to achieve and maximize financial performance through the use of pricing and gross margin.

The Annual Business Plan, Category Management Plans, and Annual Business Unit Plans then use the Five Year Strategic plan and the Corporate Marketing Plan to deliver each part of the business.

Leading retail businesses use category management to drive increased profitability and customer satisfaction. The NSLC is in its third year of implementing category management discipline in all four product categories (beer, wine, spirits, and ready-to-drink). This includes strategies for product sub-categories the NSLC wishes to grow aggressively, grow strategically, maintain, or harvest in step with customer trends and business requirements. Category management plans strategically define and drive product selection (based on performance analysis and customer needs), product pricing, product placement (e.g., which stores, where in the store, where on the shelf), and product promotion.

As we approach 2010, the end of our current Five Year Strategic Plan, we will have to begin to prepare to set the strategic direction for the 2010–2015 timeframe.

Business Process Improvement

Technology supports key business processes such as product ordering, financial management, human resource management, data warehousing, and customer behavioural insights, to name a few. These systems and the resulting new business processes improve decision making and enhance the execution of strategies and operational needs. Over the next three years, realizing the benefits of the SAP implementation will continue to improve our business processes and provide the necessary tools and information to help NSLC achieve its goal of becoming a superb retailer.

Risk Factors

Risk, simply put, is anything that impacts the ability to achieve objectives. Therefore, it is important to outline the risk factors beyond our control that can impact the corporation's ability to meet its commitments and objectives.

Factors include the impact weather throughout the province can have on sales. Severe winter weather has, in past years, resulted in the closure of stores across the province, reducing overall sales. Unseasonably cool summers, rain, and fog also negatively impact sales. The beer category is particularly subject to sales fluctuations in this regard. Weather conditions represent an area of great vulnerability, since approximately 80 per cent of the volume of product sold is represented by the beer category.

Our products are purchased with the discretionary income of customers. General economic conditions of the province affect discretionary income and could reduce NSLC sales and overall profitability as in any retail business. In particular, the looming potential of a recession in the United States always has the possibility of crossing the border, despite strong Canadian economic indictors.

The NSLC has put in place monitoring and performance measures to enable management to make decisions mitigating the risk associated with weather and economic factors.

Major business process initiatives associated with the implementation, stabilization, and benefits realization of new technology carry inherent risk factors that can impact the business. Due diligence is being performed by the NSLC during this evolving process to mitigate against possible business interruption.

The replacement of the point-of-sale (POS) system is critical to the business. The NSLC has performed due diligence in choosing the hardware and software, along with the processes for activating the new system. Issues arising from the POS launch and stabilization could temporarily inhibit the corporation's ability to process transactions and report sales, causing customer issues and reduced transactions.

The Royal Bank of Canada and Moneris 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 impacted.

The perspective of the Government of Nova Scotia, as the sole shareholder of the NSLC, can impact the organization's business plan. Shifts in public policy and the public interest as voiced by the government could impact the corporation's ability to deliver this business plan as outlined.

Enterprise Risk Management

The Board of Directors and the executive have also committed to ensure that appropriate enterprise risk management strategies and processes are in place and revisited yearly to mitigate as many risks (aforementioned and otherwise) as possible.

Enterprise risk management (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. ERM is a continuous activity that aggregates and integrates risk management activities across all types of risk in order to achieve maximum risk-adjusted returns.

Benefits of having an ERM process in place include

- strengthened corporate governance and accountability
- improved and proactive management focus
- risk awareness and enhanced accountability
- establishment of an integrated view of risk across the organization
- effective cost management and resource allocation
- management of internal and external stakeholders' expectations and requirements

The risk assessment initiative conducted in 2007–2008 by the NSLC resulted in the identification and prioritization of risks, which in turn require mitigation strategies to be adopted by the corporation overall or by the appropriate business units within the organization. The next step is to develop both the reporting and governance processes, including integration with strategic and business planning, board and executive committee reporting, and ongoing risk/mitigation reassessment.

Budget Context

Financial Plan

	Actual 2005–06 $	Actual 2006–07 $	Forecast 2007–08 $	Budget 2008–09 $	Sale %	Change %
Spirits	146,511,096	148,457,956	153,432,233	158,386,274		3.2
Wine	81,794,281	87,609,246	96,667,514	106,375,861		10.0
Beer	242,597,682	251,363,331	263,159,128	272,105,028		3.4
Ready-to-drink	17,487,170	20,536,527	21,624,411	22,074,779		2.1
Non-liquor	295,271	196,624	123,069	100,000		-18.7
Total gross sales	488,685,500	508,163,684	535,006,354	559,041,942	100.9	4.5
Less: Discounts	2,601,763	3,445,895	5,892,155	5,031,377	0.9	-14.6
Net sales	486,083,737	504,717,789	529,114,199	554,010,565	100.0	4.7
Cost of sales	233,107,815	242,344,875	250,175,202	260,599,257	47.0	4.2
Gross Profit	252,975,922	262,372,914	278,938,997	293,411,307	53.0	5.2
Less: Store operating exp.	45,875,122	47,066,297	49,173,532	49,553,717	8.9	0.8
Gross Operating Profit	207,100,800	215,306,617	229,765,465	243,857,590	44.0	6.1
Less: Supply Chain	4,834,430	5,261,682	5,972,384	5,652,232	1.0	-5.4
Corporate Services	17,401,405	17,161,160	18,881,354	19,411,300	3.5	2.8
Other expenses	4,875,266	6,130,390	5,674,336	5,661,834	1.0	–0.2
Add: Other revenue	5,741,118	6,320,501	5,692,352	5,286,352	1.0	-7.1
Total exp. (excl. stores)	21,369,983	22,232,731	24,835,722	25,439,014	4.6	2.4
Op. income before depr.	185,730,817	193,073,886	204,929,742	218,418,576	39.4	6.6
Less: Depreciation	4,475,489	4,832,930	6,829,271	8,397,467	1.5	23.0
Income from operations	181,255,328	188,240,956	198,100,471	210,021,109	37.9	6.0
Total expenses (not depr'n)	67,245,105	69,299,028	74,009,255	74,992,732	13.5	1.3
Total expenses	71,720,594	74,131,958	80,838,526	83,390,199	15.1	3.2

Volume					Change %
Spirits	5,223,280	5,123,551	5,198,816	5,224,810	0.5
Wine	6,921,600	7,209,359	7,782,992	8,366,717	7.5
Beer	63,750,550	64,164,780	65,109,637	65,760,733	1.0
Ready-to-drink	2,730,090	2,991,671	3,179,068	3,258,545	2.5
Total	78,625,520	79,489,361	81,270,513	82,610,805	1.6

Performance Measures

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

Net Income (millions)

Actual 2004–05	Actual 2005–06	Actual 2006–07	Forecast 2007–08	Budget 2008–09	Year 4 CAGR
$170.0	$181.2	$188.2	$198.1	$210.0	5.42%

Net Sales (millions)

Actual 2004–05	Actual 2005–06	Actual 2006–07	Forecast 2007–08	Budget 2008–09	Year 4 CAGR
$450.9	$486.1	$504.7	$529.1	$554.0	5.28%

Operation Expense ratio (including depr'n) (%)

Actual 2004–05	Actual 2005–06	Actual 2006–07	Forecast 2007–08	Budget 2008–09	Year 4 CAGR
14.2%	14.8%	14.7%	15.3%	15.1%	6.87%

Operation Expense ratio (excluding depr'n) (%)

Actual 2004–05	Actual 2005–06	Actual 2006–07	Forecast 2007–08	Budget 2008–09	Year 4 CAGR
13.3%	13.8%	13.7%	14.0%	13.5%	5.76%

Supporting Operating Initiatives

In managing the business, some of the indicators used to ensure maximum shareholder return while operating a modern retail business are outlined below.

Customer Satisfaction Index (CSI)

The NSLC has been measuring customer satisfaction around the key elements of our current five-year plan for the past seven quarters. Since then, our performance has increased from 82 per cent of customers giving us satisfied ratings (8–10 out of 10), to 85 per cent in our last quarter ended December 2007.

Our satisfaction survey tracks a customer assessment of 21 separate items impacting customer satisfaction with the organization. Of those 21 items, statistical analysis of the data has highlighted six major factors, grouping these individual items.

Despite inevitable fluctuations from quarter to quarter, the trend line on five of these six items is up compared to the spring of 2006:

- evaluations regarding the helpfulness of our staff have risen a full 15 points to 84 per cent
- assessments of our overall retail environment have risen fully 13 points to 86 per cent
- assessments of our store layouts and check-out speed have risen 10 points to 79 per cent
- similar evaluations related to the product knowledge of our staff have risen smartly by 9 points to 78 per cent
- appraisals of the accessibility and location of our stores have risen a more modest 3 points, to 77 per cent.

The one driver of customer satisfaction that has not moved in step with these other measures relates to our product selection. While virtually all customers are satisfied that they can get the product they are looking for, there are instances where rare brands and SKUs can be temporarily unavailable due to many factors. We are sure that with the measures and management in place we will make those rare occasions even rarer in the future, if not a thing of the past.

Retail Ranking

The NSLC has also conducted two annual retail benchmark surveys. The overall objective of this survey is to compare customers' perceptions of our products and services to those of other retailers in the province.

Of the many items covered in the survey, the key summary measure that this study reports is an evaluation of the "overall shopping experience" provided by the NSLC. In our most recent study, NSLC customers rated our overall shopping experience as second of all retailers mentioned. This represents a significant improvement from our first study in the spring of 2006, where we tied for fifth on the same assessment.

The retail benchmark survey asks a random sample of 400 of our customers to volunteer the name of a Nova Scotia retailer that they believe provides them with an excellent overall shopping experience.

Next, the survey asks them to rate the overall shopping experience particular retailers deliver, using a scale from 0 to 10. In addition, customers are asked to rate that retailer across a number of broad service assessments. They are then asked to rate the corporation's overall shopping experience, using the same 0–10 scale. This approach allows the NSLC to benchmark against other retailers our customers report as the best in the province.

On that basis, 82 per cent of our customers gave the NSLC a rating of 8–10 when we last asked this series of questions earlier this year. Only one retailer scored better, with 89 per cent of those surveyed.

Crown Corporation
BUSINESS PLANS
FOR THE FISCAL YEAR 2008–2009

Nova Scotia Municipal Finance Corporation
Business Plan 2008–2009

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Message from the Minister and the Chair

As the Minister of Service Nova Scotia and Municipal Relations, I am the Minister responsible for the Nova Scotia Municipal Finance Corporation (NSMFC). The NSMFC is a Crown corporation of the Province of Nova Scotia. The NSMFC was established by the Municipal Finance Corporation Act of the Legislature of the Province of Nova Scotia in 1979 and began business in January 1980.

The corporation's purpose is to provide the lowest available cost financing to its clients, which include municipalities, municipal enterprises, school boards, and hospitals. All municipalities and municipal enterprises must finance their external capital requirements through the corporation. Currently, most school board and hospital capital expenditures are financed directly by the province. The municipal finance corporation concept is widely used in Canadian provinces as a cost-effective, efficient means of raising long-term debenture funds to finance municipal capital projects.

The NSMFC is forecast to have over $690 million in debentures outstanding at March 31, 2008. New debenture issues in 2008–2009 are estimated to be in the range of $120 million, which will be balanced against debenture retirements of $91 million in 2008–2009.

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. Four full-time staff of the corporation are supported through staff and resources from the provincial Departments of Finance, Justice, and Service Nova Scotia and Municipal Relations.

In July 2004 the NSMFC conducted a survey of its clients, seeking feedback on whether or not the NSMFC was fulfilling its mandate and meeting its clients' needs, as well as seeking input on the direction municipalities would like the NSMFC to take in the future. The results of that survey reaffirmed that the NSMFC is meeting its core business of providing the lowest available cost of financing for municipal infrastructure projects and supported the direction that the NSMFC is moving toward, which is the development of programs and models that help build financial management knowledge in municipal governments. The results from the survey are used as baseline data for a number of the performance measures and outcomes detailed in the Business Plan. Clients are to be surveyed in 2008.

The Honourable Jamie Muir

Minister

Greg Keefe, CMA

Chair, Nova Scotia
Municipal Finance Corporation

Mission

To provide capital infrastructure financing to its clients at the lowest available cost, within acceptable risk parameters, and to provide financial management advice and assistance to clients.

Link to the Corporate Path

The corporate path is a process of identifying government priorities and direction and linking them with the business planning process. Nova Scotia's corporate path focuses on creating winning conditions, seizing new economic opportunities, building for individuals, families, and communities, opportunities for sustainable prosperity, and a social prosperity framework. The immediate five priorities flowing from the corporate path focus on the following five categories: (1) educating to complete, (2) protecting our environment, (3) better roads and infrastructure, (4) safer, healthier communities, and (5) shorter wait times.

The NSMFC's contributions to the corporate path priorities are in the area of infrastructure objectives that contribute to the creation of economic opportunities and building safe and sustainable communities. NSMFC loans are used to finance sewage treatment plants, solid waste facilities, and water services that promote clean and healthy communities. Loans are made to finance streets, buildings, recreation services, and the purchase and development of land, all of which contribute to safer, healthier communities. By working with municipalities to develop recommended financial management practices and adopt North American standards in budget presentation and financial reporting, the NSMFC contributes to the development of winning conditions.

Planning Context

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

- The NSMFC must ensure that it has access to capital markets and that it has the financial and administrative ability to meet municipal government demand for capital infrastructure funding. Capital markets have been unsettled at times during the past year, and this has posed challenges for municipal debt issuers.
- Keeping abreast of developments in municipal government capital finance: As a specialist organization, the SMFC is challenged to develop, maintain, and demonstrate expertise in municipal government capital finance.

- Maintaining financial self-sufficiency: In order to meet its mandate, the corporation must remain economically viable in both the short and long term. This includes matching assets and liabilities, both to amount and maturity, and maintaining banking arrangements and credit facilities, credit risk, adequate reserves, and the ability to manage administration expenses within its budget.
- Identifying client needs and responding to them: Opportunities exist to assist municipal governments in Nova Scotia with long-term capital planning and financing options. There is also an opportunity to work with local governments to achieve North American standards in municipal financial management capacity through the adoption of recommended practices and meeting professional standards in budget presentation and reporting.
- There is also opportunity to develop partnerships with organizations such as the Federation of Canadian Municipalities to provide a conduit for low-cost loans for clients.

The major risks to the corporation are reduced capital market receptiveness to smaller serial debt issues and the availability of human and financial resources needed to carry out its mandate. Some resources are directly under the control of the board, whereas others are provided by provincial departments. The NSMFC will continue to work with these provincial departments to align both sets of priorities.

Strategic Goals

The NSMFC's strategic goals are designed to assist the government in its corporate path 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 attractive places in which to live.

The following strategic goals have been developed to assist the NSMFC in meeting its mission of providing the lowest available cost of financing for municipal capital infrastructure and long-term financial planning and to support the provincial government's 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 prudent management of all financial aspects of the corporation, which include credit risk and asset/liability management.
- To help build financial management knowledge in municipalities and to promote municipal capital project planning and financing.

Core Business Areas

1. Providing capital financing at the lowest available cost

- Provide financing for clients' approved funding requirements through the issuance of pooled debentures. Pooling of capital requirements allows the NSMFC to issue debentures in capital markets at rates lower than if single issues were placed for clients.
- Provide financing options for clients through the short-term loan and bridge-financing programs.
- Facilitate and participate in loans to municipalities from financing sources such as the Federation of Canadian Municipalities Green Fund, where funding is available for projects meeting established criteria at below-market rates.
- Develop and review policies regarding the corporation's use of financial innovation techniques and instruments.

2. Prudent financial management of the corporation to ensure access to capital markets

- Ensure that an acceptable process is in place for evaluating the creditworthiness of the loans made by the corporation.
- Ensure that the corporation's assets and liabilities are closely matched in both amount and maturity.
- Provide prudent administration of the corporation's financial resources 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.

3. Helping to build municipal financial management knowledge by encouraging municipal governments to develop and maintain a long-term strategic approach to capital project planning and finance

- Partner with municipal clients, Service Nova Scotia and Municipal Relations, and the Association of Municipal

Administrators (AMA) on the topic of capital planning and finance through the identification of relevant professional association resources.

- Develop best practices and models to help build financial management knowledge in municipal government. Encourage Nova Scotia municipalities to apply for GFOA financial reporting and budgeting awards.
- Maintain links with the investment community, public sector finance practitioners, and academics and carry out research as required to enable the corporation to respond to changing client needs.

Priorities for 2008–2009

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

1. *Provide capital financing at the lowest available cost*

- Issue pooled debentures for the approved amount required to meet municipal borrowing requirements and lend a similar amount to municipal units and enterprises. New debenture issuance is expected to be in the $120-million range; this is balanced against retirements of existing debenture in 2008–2009 of approximately $91 million. Pooling of capital requirements allows the NSMFC to access capital markets and achieve pricing based on the Province of Nova Scotia credit spreads.
- Facilitate and participate in loans to municipalities from the Federation of Canadian Municipalities Green Fund, where funding is available for projects meeting established criteria at below-market rates.

2. *Prudent financial management of the corporation to ensure access to capital markets*

- Obtain verification of creditworthiness from the Department of Service Nova Scotia and Municipal Relations (for municipal borrowers) prior to setting the parameters for pooled issues.
- Match the amount, term, and timing of NSMFC debentures and loans to units.
- Manage the NSMFC's financial resources (budget and reserves) according to policies established by the corporation's Board of Directors.
- Adhere to generally accepted accounting practices for the valuation of financial instruments.

3. Help build municipalities' financial management knowledge by encouraging municipal governments to develop and maintain a long-term strategic approach to capital project planning and finance

- Continue to provide a leadership role in the Financial Management Capacity Building Committee initiative to promote financial and budgeting policies to municipal governments in Nova Scotia.
- Implement a marketing and promotion strategy to encourage municipal adoption of practices recommended by professional bodies.
- Promote the municipal use of the Debt Affordability Model and provide technical support for municipal administrators. The Debt Affordability model is a tool for use by municipal councils to help answer the question of how much debt is too much debt for their municipal unit. Municipalities can also use the model for multi-year budgeting and forecasting and analysing revenue and expenditure options.
- Establish committees, as required by the board, to study the merits of new products and services and alternative ways to meet municipal capital borrowing requirements.
- Work with the corporation's lead managers and other members of the investment community, staff of the Nova Scotia Department of Finance, other municipal finance corporations, and others involved in municipal capital financing to identify evolving municipal government financial needs and the optimum means of satisfying them.

Human Resource Strategy

Organizations with small staff are challenged when developing human resource strategies, particularly in the area of succession planning, as the skills requirements for the corporation's positions are diverse. The board's strategy has been to develop and retain existing staff and to build capacity by involving other civil servants in the operation of the MFC through corporate officer positions and secondment opportunities. Development and training opportunities are made available to existing staff to enable them to stay abreast of developments in the industry. The corporation's human resource strategy is aligned with the government resource strategy.

Budget Context

Nova Scotia Municipal Finance Corporation Estimated Budget Expenditures

	2007–08 Estimate (,000)	2007–08 Forecast (,000)	2008–09 Budget (,000)
Total Program Expenses—Gross Current	$ 525.1	$ 525.1	$ 566.3
Net Program Expenses—Net of Recoveries* (see note below)	$ 0.0	$ 0.0	$ 0.0
Salaries and Benefits—Gross	$ 336.4	$ 336.4	$ 358.6
Funded Staff (FTEs)—Gross	4	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, 2007 (Audited)

Assets	
Current Assets	
Cash	$ 126,494
Short-term investments at cost	5,627,000
Accrued interest receivable	10,021,832
Other receivables	1,384
Principal due within one year on loans to units	92,686,851
Long-term Assets:	
Loans to units	642,193,561
Less principal included in current assets	(92,686,851)
Deferred Charges:	
Discount on debenture debt	2,073,267
Less accumulated amortization	(1,685,856)
Total Assets	$ 658,357,682
Liabilities and Equity	
Current Liabilities:	
Accounts payable	$ 32,155
Due to municipal units	42,500
Accrued interest payable	9,992,434
Principal due within one year on debenture debt	92,662,848
Employee obligations	87,636
Long-term Debt:	
Debentures payable	642,206,880
Less principal included in current liabilities	(92,662,848)
Deferred Credits:	
Discount on loans to units	2,067,170
Less accumulated amortization	(1,683,014)
Equity	
Reserve Fund	5,611,921
Total Liabilities and Equity	$ 658,357,682

Statement of Revenue, Expenses and Reserve Fund (year ended March 31, 2007) (Audited)

Revenue	
Interest on loans to units	$ 32,924,738
Amortization of discount on loans to units	153,215
Interest on short-term investments	240,185
Debenture expense recoveries and reserve fees	729,786
Total Revenue	34,047,924
Expenses	
Interest on debenture debt and short-term loans	32,921,473
Amortization of discount on debenture debt	153,824
Debenture issue expense	349,528
Administrative expense	378,555
Total Expenses	33,803,380
Net Revenue	244,544
Reserve Fund, Beginning of Year	5,367,377
Reserve Fund, End of Year	$ 5,611,921

Outcomes and Performance Measures

Core Business Area 1 ***Providing capital financing at lowest available cost***

Outcome	Measure	Data *(2004 Survey results* form % *baseline data)*	Target 2008–09	Target 2009–10	Strategic Actions to Achieve Target
To provide the lowest available cost of financing to clients in a timely manner	Percentage of clients that are satisfied with the timing and processing of debenture issues • Regional municipalities • Rural municipalities • Towns	 50% 75% 89%	 100% 90% 90%	 100% 95% 95%	• Monitor alignment of debenture issues with the construction completion schedule and capital budgeting process
	Percentage of clients that agree that the debenture terms and structure are flexible enough to meet their needs • Regional municipalities • Rural municipalities • Towns	 50% 56% 89%	 100% 85% 90%	 100% 90% 95%	• Promote short-term financing program. Work with municipal units on financing options (payments and term) • Communicate options through the use of web page and consultations • Use e-mail to inform municipal CFOs and CAOs of MFC rates and products
Lowest available cost of financing for clients	Quality of credit loans	Procedures ensure creditworthiness of loans	Regular review of loan procedures	Regular review of loan procedures	• Maintain quality of portfolio • Promote profile of NSMFC credit quality to maintain strong relationship with government to ensure its support of provincial guarantee
	Pricing received from lead managers in relationship to the Province of Nova Scotia's cost of funds	Provincial guarantee allows the MFC to price off the PNS spread	Maintain access to the provincial guarantee	Maintain access to the provincial guarantee	

Core Business Area 2 *Prudent financial management for the corporation's resources to ensure access to capital markets*

Outcome	Measure	Data *(2004 Survey results* form % *baseline data)*	Target 2008–09	Target 2009–10	Strategic Actions to Achieve Target
Ensure a sustainable source of funding is available for financing requests from clients and to ensure the operational viability of the corporation	Client default rate (default is defined as failing to make a principal or interest payment within five days of the due date)	0	0	0	• Ensure that all loans are creditworthy • Monitor creditworthiness procedures and loan payment processes
	Matching of assets and liabilities Matching of aggregate amounts, terms, and timing of debentures and loans	Assets and liabilities are closely matched to term and timing	Maintain matching strategy	Maintain matching strategy	• Match the term and timing of NSMFC debentures and loans to clients
	Adoption of a risk management strategy	n/a	Plan adopted	Monitor plan	• Review and revise plan as necessary

Core Business Area 3 *Helping to build municipal financial management knowledge by encouraging municipal governments to develop and maintain a long-term strategic approach to capital project planning and finance*

Outcome	Measure	Data *(2004 Survey results* form % *baseline data)*	Target 2008–09	Target 2009–10	Strategic Actions to Achieve Target
Use of best practices (BP) in financial management decision making	Increased awareness of best practices for financial management Based primarily on GFOA (Government Finance Officers Association) programs Municipalities develop and showcase best practices	30% of clients are aware of knowledge-building programs offered by the NSMFC	Post best practices and information on municipal international financial standard awards on the website 2 units develop BPs	80% awareness level	• Communicate regularly with clients on the work NSMFC is involved in through AMA regional meetings and conferences and MFC web page partnerships • Make one-on-one calls and field visits to clients to offer advice and assistance • AMA Newsletter • Circulate all BPs developed to municipalities in hard copy format
Increased financial management knowledge in municipal units	Broader access to financial resources—efficient use of resources and building of networks among financial administrators Number of municipalities receiving GFOA budget and financial reporting awards		Two Nova Scotia municipalities participate in GFOA budget and reporting awards	Two Nova Scotia municipalities receive GFOA awards	• Expose municipal units to conferences that develop and promote best practices in financial management • Continue to offer financial assistance in sponsoring municipal attendance at annual GFOA conferences • Add GFOA award information to MFC website • Actively participate in joint committees with AMA
NSMFC client awareness of new financial products and features that may help municipal units	Percentage of municipal units that are aware of and satisfied with products offered by NSMFC. • Regional municipalities (3) • Rural municipalities (21) • Towns (31)	100% (3) 75% (15) 89% (27)	100% (3) 95% (20) 95% (29)	100% (3) 95% (20) 98% (30)	• Communicate regularly with clients on the programs that NSMFC is offering through AMA regional meetings and conferences and MFC web page • Make one-on-one calls and visits to clients to offer advice and assistance

Core Business Area 3 *Helping to build municipal financial management knowledge by encouraging municipal governments to develop and maintain a long-term strategic approach to capital project planning and finance*

Outcome	Measure	Data *(2004 Survey results* form % *baseline data)*	Target 2008–09	Target 2009–10	Strategic Actions to Achieve Target
Development and implementation of products and services to respond to clients' needs	Effective programs directed at clients' needs	Request for program development: Long-term planning models Enhanced financial management practices Innovative financing	Development of programs that meet client needs including developing 6 best practices and implementing 10 BPs	Develop 6–8 Implement 42 (cumulative)	• Continue partnering with AMA, municipal units, and SNSMR • Promote debt affordability and capital investment plan (CIP) models • Maintain links with professional associations • Work with FCM on financing opportunities for municipal projects • Engage graduate summer intern in research/activities that would benefit municipalities and MFC
		Educational programs	Two units adopt debt affordability model	3 units (cumulative)	
			Two units participate in educational sponsorship program	2 units	

Crown Corporation
B U S I N E S S P L A N S
FOR THE FISCAL YEAR 2008–2009

Nova Scotia Power Finance Corporation
Business Plan 2008–2009

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Mission

To ensure that the debt of NSPC, which is guaranteed by the province, is discharged in an orderly and timely manner.

Introduction

Under an Asset Transfer Agreement, dated August 10, 1992, Nova Scotia Power Corporation (NSPC) transferred all of its existing assets, liabilities, and equity, except for long-term debt and related sinking funds, to the privatized company Nova Scotia Power Inc. (NSPI), in exchange for matching notes receivable equivalent to outstanding long-term debt, matching notes payable equivalent to sinking fund assets, and an amount of fully paid common shares. The latter 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 C$2,152,879,732, guaranteed by the province, was offset by sinking funds and the balance defeased as per the agreed schedule to December 31, 1997.

In terms of the Nova Scotia Power Reorganization (1998) Act, NSPI was reorganized as a holding company, Nova Scotia 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 of meeting its mission objective outlined above during the course of the current planning horizon.

Performance in 2007–2008

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

After December 31, 1997, the goal of NSPC is 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 debt maturities.

Core Business Area

NSPFC is responsible for monitoring the defeasance and repayment by NSPI of its debt guaranteed by the Province of Nova Scotia. NSPFC holds notes payable by the NSPI in case of default of NSPC debt repayment. The final guaranteed note matures February 26, 2031.

Priorities for 2008–2009

1. To ensure continuing progress towards elimination of NSPC debt guaranteed by the Province of Nova Scotia and defeased by NSPI.
2. To ensure the defeasance assets are of such a quality that the defeasance program will 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 is defeased in accordance with the Defeasance Agreement.

Measure

The Defeasance Agreement required the defeasance of a minimum of C$1,381,600,000 of outstanding NSPC debt by December 31, 1997. This minimum has already been met and surpassed, C$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, 2007, was C$700,000,000 and US$300,000,000; defeased assets as at March 31, 2007, had the same principal amounts and market values of C$1,094,636 and US$468,484, thus rendering the guaranteed debt fully defeased. Adequacy of defeasance assets are certified by the auditing firm of Deloitte Touche.

Crown Corporation
BUSINESS PLANS
FOR THE FISCAL YEAR 2008–2009

Sydney Steel Corporation
Business Plan 2008–2009

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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 become dormant, with ongoing operations contracted to Nova Scotia Lands. The company will remain active only to deal with residual issues arising from historic operations.

Priorities for 2008–2009

The plan for Sysco during the 2008–2009 fiscal year is to close out activities and have the corporation remain dormant.

Budget Context

	Estimate 2007–08 ($ 000)	Forecast 2007–08 ($ 000)	Estimate 2008–09 ($ 000)
Revenue			
Contribution from the province	17,545,000	10,500,000	16,800,000
Gain on sale of assets	—	9,000,000	3,000,000
Interest income	—	75,000	50,000
Total revenue	**17,545,000**	**19,575,000**	**19,850,000**
Expenses			
Payroll	150,000	—	—
Consulting	200,000	400,000	400,000
Funding to NSLI for remediation activities	17,195,000	10,100,000	16,400,000
Total expenses	17,545,000	10,500,000	16,800,000
Net income	**0**	**9,075,000**	**3,050,000**
FTEs	0	0	0

Crown Corporation
BUSINESS PLANS
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Trade Centre Limited
Business Plan 2008–2009

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Message from the CEO and Board Chair

We are pleased to present the 2008–2009 business plan for Trade Centre Ltd. This year we continue our focus on growth, partnerships and stakeholder relationships, workforce, and infrastructure. For this fiscal year it will be a focus on maintaining our competitive edge, operating efficiency, and service delivery to customers and maintaining employee satisfaction through sharing of information and working together for improved results.

As we look to the future, we must ensure that our business is viable and that we continue to meet our many stakeholders' expectations. Increasingly, as the demographics in the region change, we are focused on ensuring we have the workforce that will allow us to grow into the future. Therefore, our human resources strategy is focused on attracting high-calibre employees in a very competitive labour market and being recognized as the employer of choice. Our success is built on the ability of our employees to be leaders in the events and hospitality industry supported by our proactive solutions-focused approach to business and customer service.

Our mission of creating economic impacts by bringing people together in Halifax and Nova Scotia is always top of mind and influences our decisions every day with respect to customer service, event management, bid development, stakeholder partnerships and facility planning. We are very grateful for the strong partnerships we have built throughout the province and the country. In 2008–2009 we will continue our partnerships with Destination Halifax, the Halifax Stanfield International Airport Authority, the Hotel Association of Nova Scotia, Hockey Canada/Nova Scotia, the Atlantic Canada Opportunities Agency, many national and international event organizers, Halifax Regional Municipality and the Province of Nova Scotia.

We look forward to the coming year and the many opportunities it will present for TCL, HRM and the Province of Nova Scotia. This plan will provide TCL with the guidance required to move forward with confidence.

Yours truly,

Fred MacGillivray	The Hon. Stewart McInnes
President & CEO	Chair, TCL Board of Directors

Mission

Creating economic and community benefits by bringing people together in Halifax and Nova Scotia

Link to the Corporate Path

TCL's corporate priorities are linked to and consistent with the directions and priorities of the Province of Nova Scotia's Corporate Path in a variety of ways, as described below.

Creating Winning Conditions

Globally Competitive Business Climate and Connections

As a leader in the hospitality and events sector and as a member of the international World Trade Centre organization, TCL is accustomed to operating in a globally competitive business climate. This year, TCL intends to target research and work to identify local ambassadors in 2008. Discussions are under way with Convention Centres of Canada to pool resources on collaborative efforts in Europe.

One of TCL's corporate priorities is to work with government and other stakeholders to establish a facility plan to ensure adequate infrastructure to host major national and international events. Completed feasibility studies have been submitted and are under review by the Province of Nova Scotia and the Halifax Regional Municipality for the construction of a new multi-purpose sports and entertainment facility and for expansion of the Convention Centre

Globally Competitive Connections

World Trade Centre Atlantic Canada (WTCAC) "makes trade happen" by introducing its members to new customers through a powerful network of 275 World Trade Centres in 83 countries. Over 750,000 companies worldwide belong to the largest not-for-profit organization in the world dedicated to creating trade opportunities—the World Trade Centres Association. Locally, the WTCAC supports its members through trade education, video-conferencing services, and market research and networking opportunities. These services help Atlantic Canada's businesses thrive in the emerging global economy.

Seizing New Economic Opportunities

Leader in Information Technology

TCL has adopted a leadership role for our industry in providing the best technology experience for event attendees, convention delegates

Online communications for our guests allows them to continue to operate and communicate outside of their work environment on a safe, secure, efficient wireless network while roaming throughout the facility.

A new software installation for SilverVision has provided us an updated capability, having a more robust and reliable system for better in-game effects, transitions, and animation

A new system was installed as part of our major capital renovation to our convention centre facilities. This new equipment replaced 24-year-old technology, with a higher quality, more processing power for better control, and a greater sound quality. This allows us to provide a more professional finished product with regard to editing, to accommodate larger productions in house, and to supply a high-quality live sound reinforcement.

Building for Individuals, Families, and Communities

Healthy, Active Nova Scotians

Events, sports, and recreational activities taking place in TCL's facilities are major contributors to the health and well-being of our citizens. These activities engage Nova Scotians in the social and business aspects of the community and province, thereby contributing to healthy bodies and healthy minds.

With nearly one million individuals attending our events annually, and many more who take advantage of the recreational opportunities offered within our facilities, TCL is very supportive of the province's priority related to healthy, active Nova Scotians.

Accessible Services

TCL events cater to many different audiences at different price points and in a variety of venues, providing opportunities for all Nova Scotians to access events that meet their interests and economic situation.

With respect to our venues, all TCL facilities are wheelchair accessible, and upgrades to physical accessibility are ongoing.

Vibrant Communities

TCL's mission is to create economic impacts by bringing people together in Halifax and Nova Scotia. To that extent, our events bring people together within our facilities and our community. Our entertainment and sporting events, conferences, meetings, conventions, and trade and consumer shows add significantly to the cultural dynamics of the city and province and make an important contribution to the overall quality of life in Nova Scotia.

Working in collaboration with other TCL business units and strategic partners in the community, Events Halifax continues to attract new major events for the province. This success is a testament to the abilities of the core staff to bring the necessary partners together and work with event organizers at every step of the process. The results have been stronger alliances within the community, incremental increases in the hosting capacity of our communities; and economic impacts that translate into further growth of the industry, and of the city and province in general.

Exhibition Park is an integral part of the community with a focus on trade and consumer shows. It continues to grow in its popularity as a venue for social gatherings such as weddings and private dinners. While the physical plant is aging, our attention to customer service continues to motivate our clients to choose this facility over others in the region. It attracts more than 150,000 attendees at more than 100 events each year. The Maritime Fall Fair, a long-established event in Nova Scotia held at Exhibition Park, continues to attract large numbers of attendees. It brings together both those who are interested in a fun-filled and exciting family entertainment event and those who participate and are interested in a serious competition and agricultural showcase.

The World Trade and Convention Centre consists of approximately 50,000 square feet of convention and exhibition space and is also home to Windows at the World Trade Centre, a full-service restaurant and event venue. The convention centre hosts approximately 600 events annually, which attract about 150,000 people from around the province and around the world. Renovations carried out in 2006 and 2007 have upgraded the facility to provide a more inviting and comfortable environment for our customers.

Located in the heart of downtown, the Halifax Metro Centre is the premier venue for every major entertainment and sports events to visit the region. As the largest multi-purpose facility in Atlantic Canada, it is specifically designated and geared for versatility and can practically accommodate some of the biggest and most spectacular events on a global scale. It is an integrated part of the World Trade and Convention Centre complex and can play a valuable part in any type of convention, meeting, or exposition, functioning as an exhibit floor and auditorium for major conference events.

These three major facilities are major economic generators for the province and the city. For the fiscal period ended March 31, 2007, the economic contribution was $169.8 million in direct expenditures and $137.6 million in incremental expenditures.

Planning Context

The event and hospitality sector operates in a highly competitive global environment. Competition for conferences, trade and consumer shows, concerts, and sporting and entertainment events is fierce. As competitive venues continue to upgrade their facilities and build new ones, promoters, event planners, and patrons have an ever-increasing choice of venues. Competition in the local and regional market has increased with the planned activity in other Maritime cities to position themselves to compete in the industry. (For example, Moncton and Fredericton have announced their own plans to build convention facilities.) While customer expectations continue to grow, there is little recognition of the business relationship and commitment to the industry. Event cancellations and/or reductions in numbers of attendees are common in the industry and have a direct negative impact on our profitability. The mix of events in any given year has a direct impact on the profitability of our operations. We do have a challenge with our seasonality, and the challenge of attracting conventions in the January-to-March time frame.

The economy continues to be strong in Halifax and nationally; however, our secondary market and most lucrative opportunity, the United States, will prove to be a challenge for Halifax, and indeed Canada, in the upcoming years. Canada has seen a substantial decline in tourism, meetings, and conventions in recent years. Many factors contribute to this downturn including the new passport requirement in 2008, the declining buying power of the U.S. dollar, an impending recession on the horizon, and the ongoing war against terrorism, which has subdued spending by many U.S. corporations. The announcement of Iceland Air's scheduled air connection to Europe is a very positive message and will provide increased access to European markets.

TCL operates the office tower, the Convention Centre and Windows, Ticket Atlantic, Halifax Metro Centre, and Exhibition Park. With the ongoing maintenance and renovations to the Convention Centre and Halifax Metro Centre, a renewed pride has evolved in our properties, helping to rejuvenate employees' enthusiasm for our product. However, the office tower and Exhibition Park lack modernization and pizzazz. Exhibition Park is a remote property with a group of aging buildings. The office tower is not supported by the normal TCL business structure. If government support were to fail and provincial tenants leave for other accommodations, the tower would be seriously challenged financially. In addition, as fuel and utility costs continue to rise, they increasingly have a negative affect on operating budgets.

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. Large events require large numbers of people to set up and tear down and serve customers.

TCL is fortunate to have many long-term employees who provide consistent service and are highly appreciated by our customers. A low turnover of staff means that they have intimate knowledge of our product and physical plant. Our employees take pride in what we do, and our customers tell us regularly that they appreciate the high-quality service they receive in all of our venues.

Impending retirements could create knowledge and experience drain on TCL, and with more than 50 per cent of our employees eligible for retirement by 2016, the organization must put in place an aggressive succession plan. Meeting the specific needs of various generations in the workplace places significant demands on management. Furthermore, constraints on wage increases and market positioning deter TCL from offering competitive compensation packages compared to the private sector, placing further pressures on the organization's ability to continue to deliver high-quality customer service.

TCL has a proud history of generating significant economic activity in the Halifax Regional Municipality (HRM) and the Province of Nova Scotia and will continue to do so in the coming year. We will continue to work with our partners to focus on attracting high-profile sporting and cultural events, conferences, and trade and consumer shows and on identifying new opportunities by targeting new markets. The events industry is a high-risk industry, and by setting aggressive targets, there will be a higher risk to the bottom line. Ongoing investment is imperative to allow us to invest in our people, operations, and facilities, which in turn will allow us to take full advantage of growth opportunities. These opportunities will support both achievement of our long-term sustainability and continued contribution to the economic well-being of the province in a very significant way.

With proper investment the future looks bright. As an important contributor to the provincial economy, TCL looks forward to 2008–2009 with much enthusiasm and anticipation.

Strategic Goals and Corporate Priorities

As part of the TCL strategic plan, the organization set out four directives that serve as a guide for annual business planning. These strategic goals are as follow:

1. Growth: Create greater economic impacts by growing current business and developing new markets.
2. Community Partnerships: Build committed partnerships within the community, government, and business.
3. Workforce: Through innovative management approaches, attract and engage a committed and motivated workforce to support future growth of the business.
4. Infrastructure: In partnership with government and other stakeholders, lead the planning and development of the infrastructure necessary to host major national and international events.

Within these four strategic goals, TCL has established a number of corporate priorities for the 2008–2009 fiscal year.

Growth

Fulfill Our Mandate as a Community Economic Driver

In 2008–2009, we will target to achieve a direct economic impact of $180 million from our events. TCL measures direct economic impacts each year, and this target is based last year's success. The model that has been in use is being redeveloped in the coming year, and we expect it will provide more precise results on a go-forward basis.

Our events, conferences, and trade shows draw significant attendance from within the province but also from across the country and around the globe. Many attendees who come from outside the province come early or stay after the event. The economic spinoff from our events is substantial and is felt around the province as these tourists travel outside HRM to take in attractions and events in other communities.

Inherent in our business is a parallel relationship between attracting major events and the financial and operational risks associated with them. These risks are never taken lightly and are carefully considered from all perspectives before a decision is made to pursue an event. In our experience, the resulting economic impact for the province often justifies a well thought-out, calculated risk.

Maximize Revenue and Operational Efficiencies

Our financial goal in the next fiscal year is to maximize revenue potential and operational efficiencies in all our business units.

Our total revenue projections are $ 22.7 million (TCL $14.6 million, HMC $8.1 million). This, however, will generate an operating deficit of $253,373 for Trade Centre Limited and an operating surplus for Halifax Metro Centre of $1.1 million.

All our revenue-generating business units are expected to achieve a positive contribution in 2008–2009 except for the World Trade and Convention Centre and Exhibition Park. Combined revenues of $8.2 million for these facilities, a decrease of 0.3 per cent from 2006- 2007 actuals. Accessing new markets and customers will continue to be our priority, and will be enhanced through development of a number of key partnerships.

At the same time, the Convention Centre remains the largest economic generator of all our facilities. The value proposition of convention centres across the country is that they are typically not considered profit centres but rather their real value is in the positive economic impact generated for their communities and provinces.

Community Partnerships

Contribute to the Vibrancy of our Province

TCL has been part of the global economy since 1984. Our venues attract people from many countries to a variety of events that contribute to the cultural diversity and overall quality of life in Nova Scotia. We market the city and the province around the world. When delegates attend our events, they are exposed to the province, our culture and our life style; and at the same time, the local population is exposed to many different cultures and people from around the world.

Our events build local pride and confidence, contribute to the provincial immigration strategy; and strengthen our partner relationships.

Create a Better Understanding of the TCL Business Model

Our plans for 2008–2009 are to create a better understanding of the TCL business model and its ability to support diverse partnerships. At the core of this goal is an ability to communicate the following:

- the unique and complex nature of the TCL business model
- the benefits of the model to support a variety of strategic operational, supplier and other relationships

Leverage the Unique TCL Business Model to Build Strong Partnerships

Plans for 2008–2009 are to leverage the unique TCL business model to build strong partnerships that promote collaboration around issues of mutual interest and for mutual benefit. TCL will provide a clear definition of what a partnership arrangement means to TCL and identify the organizations and individuals that TCL will need to partner with. A core common approach will be developed for any collaborative effort in which TCL is involved to ensure that the benefit accrues to the benefit of the partners and TCL

Workforce

Employer of Choice (EOC)

TCL has set a strategy to become an employer of choice to enhance workforce stability and the level of continuity that assures the preservation of our knowledge base and continual growth of customer and employee satisfaction, showing a 5 per cent increase in employee survey scores by 2009. With limited investment, our target for fiscal 2008–2009 is to maintain our satisfaction levels, and we are looking to continually improving scores as we go forward In 2008–2009 fiscal year we will create a plan or road map that will provide direction on the “how to” of becoming an employer of choice. We will complete the gap analysis and goal-setting process and register with the tourism industry EOC process. Consideration will be given to the necessary best practices that will propel us forward, such as succession planning, training for competitive advantage, compensation planning, and best practice recruitment and staffing to support growth and changes in our business.

Infrastructure

New Facilities Construction

Final feasibility studies have been submitted and are under review by the Province of Nova Scotia and the Halifax Regional Municipality. The plans call for the construction of a new multi-purpose sports and entertainment complex and the expansion of the current Convention Centre into the current Halifax Metro Centre.

Carry Out Renovations and Upgrades

From an operations perspective, our focus in the coming year will be on continuing to upgrade and improve our facilities. Our priorities for the next fiscal year will include the ongoing capital projects in the Convention Centre. We expect to complete the projects in the Convention Centre within a $2.2-million budget in the next fiscal year. An application has been submitted for funding approval for the renovation of the office tower to accommodate a provincial government department as a long-term tenant.

We have submitted funding requests for capital renovations for Exhibition Park that are necessary to bring the facility to a state where it can compete more successfully against similar facilities in the region. Other improvements will include cosmetic upgrades to washrooms and safety upgrades for catering outlets at Exhibition Park

Ongoing are improvements to the Halifax Metro Centre, some equipment replacements, and improvements to accessibility in all our facilities.

Human Resources Strategy

Human Resources and Payroll at Trade Centre Limited is in the process of change from all perspectives—function, organizational needs, and employee needs—in order to better support the organization to create and sustain the desired culture and continued development of our competitive advantages of quality innovation, service, and brand image as an economic driver for Halifax and Nova Scotia. HR's role is to provide the proper architecture internally to enable managers, supervisors, and employees to create success for our stakeholders across a broad spectrum of industries threaded together via economic generation and events. It is both an exciting and challenging time for Human Resources in any organization that really cares about its employees and its customers. Trade Centre Limited must engage in workplace practices that will help us become an “employer of choice”—the sooner the better as we prepare for expansion, increased competition across most business units, and a highly competitive labour market with four generational groups and their values merging in the workplace.

As with most organizations facing limited resources and high expectations, TCL must constantly assess the focus of HR and Payroll. Priority is building the right culture to enable TCL to meet and achieve its goal of becoming an employer of choice to enable delivery of events and economic impact for our city and province.

For this year, Human Resources priorities will focus on the areas identified in the new strategic vision for TCL. Developing the road map or plan to become an employer of choice must be quickly defined and put in place for TCL to reach the status as employer of choice. Continued recruitment will bring us to one of our greatest challenges, which is recruiting and retaining professional and part-time workers in an increasingly competitive labour market.

Budget Context

TCL faces unique challenges from a funding perspective, in that our facilities were created as economic generators for the province and not as profit centres. For a period of time, TCL was successful in achieving surpluses; however, they were not sufficient to support all annual capital needs. In the past several years, we have experienced deficits, and our forecasts indicate a continuation of that trend. The majority of this loss results from the operation of our largest economic generator, the Convention Centre.

To remain competitive, TCL must invest in the business for the long term. This means that investments in marketing, human resources, facilities, and enhanced and new service offerings are critical. These investments must be both tactical and strategic in nature. Without these investments, TCL will quickly lose market share, which will negatively impact our contribution to the economic well-being of the province. TCL strives to manage its resources responsibly and achieve the maximum return on each of its investments.

TCL operates a number of event-driven business units that depend solely on the number of attendees and the level of spending per attendee, which in turn drives the organization’s revenues and expenses. The business units generate economic benefits for the Halifax Regional Municipality and the province by bringing people together from within the region and around the world. Attracting attendees from outside Nova Scotia generates additional tourism revenues for the province through pre- and post-delegate travel expenditures. TCL's level of economic return to the province far exceeds the revenue shortfall and the need for support from the province.

We expect to end the current fiscal year (2007–2008) with a shortfall of $2.07 million (Feb 08) before depreciation for TCL and a surplus of $684.4 thousand for HMC before reserves. In 2008–2009, we expect to generate revenues of $22.7 million, necessitating an investment of operating support of $253,373 from the Province of Nova Scotia and a surplus of $1.1 million for Halifax Metro Centre.

Operations Budget Summaries

	2007–08 Estimate ($)	2007–08 Forecast ($)	2008–09 Estimate ($)
Revenues	13,403,007	12,371,657	14,706,608
Expenses			
Event operations	5,561,475	5,836,734	6,353,597
Salaries and benefits	3,596,095	3,590,462	3,841,374
General operations	3,536,810	3,822,409	3,737,760
Taxes and insurance	1,060,000	1,192,957	1,027,250
	13,656,380	14,442,562	14,949,981
Income (loss) before depreciation	**(253,373)**	**(2,070,904)**	**(253,373)**
Depreciation	**1,650,000**	**1,519,648**	**1,650,000**
Income (loss) for the year	**(1,926,373)**	**(3,590,552)**	**(1,903,373)**

Note: Revenues and expenditures 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 deficits or surpluses accrue to the municipality, and all capital improvements are funded by the municipality. Forecasts for 2007–2008 are as at time of preparation. (Feb, 2008 YTD)

Outcomes and Performance Measures

Growth

Create greater economic impacts by growing current business and developing new markets

Outcome	Measure	Data	Yearly Target 2008–09	Ultimate Target	Strategic Action to Achieve Target
Achieve combined revenues of $ 22.7 million for TCL and HMC TCL: $14.6 million HMC: $8.1 million	Year-end audited financial statements	Budget 2007–2008 combined revenues of $20.0 million TCL: $13.4 million HMC: $6.6 million	Incremental revenue growth over budget 2007–2008 TCL: $1.6 million HMC: $1.5 million	Revenue growth of 33.6 % over budget 2007–08 to $ 26.3 million TCL $18.0: million HMC $8.3 :million Sustainability	• New programs and services • Facility investment • Investment in staff • Sales and marketing investment

Partnerships/Stakeholders

Build committed partnerships within the community, government and business

Outcome	Measure	Data	Yearly Target 2008–09	Ultimate Target	Strategic Action to Achieve Target
Alignment with government, community and business partners	Formal partnership agreements—MOUs	No formal agreements in place	3 MOU agreements with partners/ stakeholders	Create a better understanding of the TCL business model Leverage the unique TCL model to build strong partnerships	• Communications program • Targeted partner/stakeholder engagements with decision makers

People

Through innovative management approaches, attract and engage a committed workforce to support future growth of the business.

Outcome	Measure	Data	Yearly Target 2008–09	Ultimate Target	Strategic Action to Achieve Target
Become employer of choice to enhance workforce stability and a level of continuity that assures the preservation of our knowledge base and continual growth of customer and employee satisfaction	Employee survey score. Survey completed on a 12- to 18-month rotation	Survey results are benchmarked back to 2003	Maintain score comparable to prior years	Overall rating of employee satisfaction of 75% or higher by 2012	• Compensation plan • Employee communications plan • Programs and awards

Infrastructure

In partnership with government and other stakeholders, leads the planning and development of the infrastructure necessary to host major international events.

Outcome	Measure	Data	Yearly Target 2008–09	Ultimate Target	Strategic Action to Achieve Target
Joint agreement between three levels of government for expansion of our facilities Convention centre Sports and entertainment centre	Agreement in place for facility development	Feasibility study completed and submitted to HRM and the province	Feasibility study analysis completed and agreement in place for development	Finalize plan and commence construction of new facilities Convention centre Sports and entertainment centre	• Communications and formal submissions to HRM and the province • Communications awareness with partners and stakeholders
Internal development plan for Exhibition Park	Submitted for TCL board approval		Exhibition Park development plan completed for approval	Completion of project by end of fiscal 2012	

Crown Corporation
BUSINESS PLANS
FOR THE FISCAL YEAR 2008–2009

Waterfront Development Corporation Limited
Business Plan 2008–2009

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Message from the Minister

Around Halifax Harbour, the rejuvenated waterfronts of Bedford, Dartmouth, and Halifax have created important economic benefits to the province as a result of creating opportunities for Nova Scotian citizens and businesses and attracting visitors to the province. For example, for every $1 invested by WDCL operations, $39 goes back into the households of Nova Scotia*. The Halifax waterfront has become the number one destination for visitors to Nova Scotia, creating a gateway to the many tourism opportunities and experiences throughout the province*. The Halifax waterfront and increasingly the Dartmouth and Bedford waterfronts are becoming a meeting place of local residents, Nova Scotians and visitors to the province.

To build on this success and further contribute to the economic development of the province, Waterfront Development Corporation Limited has focused on the creation and fostering of events and festivals. The extremely successful Nova Scotia Tall Ships 2007 Festival attracted 600,000 visitors province-wide, with 60,000 visitors from out of province. The economic impact of this event was an incremental $27,000,000 to Nova Scotia's economy. Tall Ships Nova Scotia Festival 2009 is in the development stages and promises to be even larger. Nova Scotia has become the number one tall ships destination in North America through strategic use of Halifax Harbour and participating outports such as Lunenburg, Shelburne, Yarmouth, Sydney, Louisburg, and Port Hawkesbury. Evidence of this is the Sail Training International Conference occurring in Halifax in 2008 for the first time outside of Europe.

For the past three years, in addition to its activities in Halifax, WDCL has been assisting the Town of Lunenburg, a UNESCO World Heritage Site, in the implementation of its waterfront plan. Subsequent to the provincial purchase of a significant portion of that waterfront from Clearwater Fine Foods, a business plan was developed, and with the assistance of WDCL and the Lunenburg Waterfront Association Inc., that plan is well under way. The leasing and selling of properties to create a viable marine working waterfront remains an ongoing priority for 2008.

* *2003 Visitor Information Survey*, Department of Tourism, Culture and Heritage.

WDCL is also fully engaged with other stakeholders in creating a new provincial star attraction at Queen's Landing. This involves an expansion of the Maritime Museum of the Atlantic and complementary private mixed-use development. "Mixed-use" refers to the inclusion of, for example, retail, commercial, residential, and public space as part of the project plans. In Dartmouth, continued development with other stakeholders of the Dartmouth Harbourwalk has been instrumental in bringing the public to the waterfront and fostering other economic opportunities. Expansion of the Bedford Waterfront through an environmentally sound in-filling program continues to provide important opportunities for public access and potential private investment to meet the needs of a vibrant growth centre of Halifax Regional Municipality.

Municipal approvals for the Salter Block development in Halifax have been achieved, and it is anticipated that this exciting new mixed-use development will begin construction this year. The private-sector portion together with public-sector investment will complete the Harbourwalk system and provide additional public space on the waterfront just north of the award-winning Bishop's Landing.

Through these and many other programs of Waterfront Development Corporation Limited, the province will continue to build for its families and their future.

The Hon. Angus MacIssac

Minister of Economic Development

Message from the President and Chairman

For 32 years, the Waterfront Development Corporation Limited has brought the community to the waterfront and the waterfront to the community. The 2008 business plan outlines how the corporation will continue to move forward to ensure the best use of the waterfronts surrounding the Halifax Harbour and other designated areas.

Through local, national, and international events, the Halifax waterfront has become a primary tourism destination. WDCL will continue to coordinate events that will positively impact the province by attracting tourists, expanding our profile as a destination province, nationally and internationally, and providing quality family entertainment and leisure opportunities to Nova Scotians and our visitors. Most notably, the creation of a province-wide Tall Ships Festival program will showcase our capital region and port communities to the world. Planning for Tall Ships 2009 is well under way and will continue to gain momentum in 2008.

Surveys demonstrate that the waterfronts of Bedford, Dartmouth, and Halifax, are unparalleled as destinations for Nova Scotians and visitors. To ensure that these waterfronts continue to be prominent focal points, WDCL will continue with the creation of the Harbourwalk system, providing public access for pedestrians and boaters alike. Access will continue to improve with new infrastructure for all three waterfronts in 2008.

WDCL works with public- and private-sector partners to develop designated Halifax Harbour waterfronts into year-round attractions, meeting places, and places to live and do business. Some of the larger projects include the Queen's Landing project, a star attraction that will see the expansion of the Maritime Museum of the Atlantic and the preservation of the HMCS *Sackville* within a mix of public and private development on land from Cable Wharf to Sackville Landing. The Salter Street Block mixed-use development just north of Bishop's Landing, has received municipal approval. It will include retail, residential, hotel and commercial elements as well as adding significantly to the public open space on the waterfront through completion of the final section of Halifax Harbourwalk. In Dartmouth, focus will be placed on completion of Dartmouth Harbourwalk and planning for Dartmouth Cove. Continued focus in Bedford will be on the creation of additional land, extending infrastructure and public space to the South Jetty, and planning in conjunction with HRM for Phase II.

All of these projects and initiatives require support and cooperation with key stakeholders and partners. The corporation will continue to make special efforts to work closely with public sector stakeholders at the federal, provincial, and municipal levels to achieve our mutual goals.

Bill Campbell	Eric Thomson
Acting President and CEO	Chairman

Mission

To pursue the provincial interest in the short- and long-term development of Halifax Harbour, as well as the diverse, dynamic, and vibrant provincially designated waterfront areas of Halifax and Lunenburg Harbours, working in close collaboration with our key stakeholders and communities. WDCL accomplishes this mission through planning, coordinating, promoting, and developing properties, events, and activities.

Vision

Waterfront Development Corporation Limited is recognized as a lead organization for coordinating the pursuance of the provincial interest in the development of the designated waterfront areas of Halifax and Lunenburg Harbours and is actively engaged in establishing Halifax Harbour as pre-eminent in North America. Through our approach and respect for community values, there is a shared understanding of the mandate and goals among key stakeholders. WDCL maintains effective relations with the province, the federal government, and local communities. The governance, operational, and financial structure allow the corporation to effectively achieve its aims. As a result, the corporation is making an increasing contribution to the economic development of the harbour and the province.

Mandate

Waterfront Development Corporation Limited's mandate includes

- acquisition of property, coordination, planning, and property management within designated areas of Halifax Harbour, including Bedford, Dartmouth, Halifax, and other areas so designated by the corporation's shareholder (Department of Economic Development), which presently includes certain properties on the Town of Lunenburg waterfront
- marketing, promotion, and events designed to attract public use of the Halifax Harbour waterfronts
- overseeing provincial interest in the industrial development of Halifax Harbour through coordinating best use of provincial land

Link to the Corporate Path

The corporation's business plan and priorities are aligned with the overall corporate goals of the province through providing existing and planned public infrastructure, spaces, and events on the waterfronts. These elements significantly add to the regional ability to compete globally in important amenities that attract business investment and visitors to the region. Halifax Harbour waterfronts, in particular Halifax, are among the best-known and visited waterfront destinations in North America.

Planning Context

Waterfront Development Corporation Limited has a unique role within the province. Through ownership, it is directly responsible for over $100,000,000 of waterfront real estate located in economically significant and culturally important centres of Halifax Regional Municipality and the Town of Lunenburg. Over the past 32 years, more than $400,000,000 of private and public investment in land and infrastructure has been possible. The provincial government has recently assigned the corporation planning and coordination responsibilities for provincially owned property with port, industrial potential in much broader areas surrounding Halifax Harbour. Championing the provincial interest in these areas of responsibility intersects with the interest and jurisdiction of municipal and federal government agencies and private landowners. Managing these relations and responding to diverse expectations and stakeholder interests and to the community at large create significant challenges. Having this broad mandate and responsibility requires considerable attention to human resources allocation and the establishment of priorities within the confines of provincial financial management goals.

The corporation's financial and business planning is based on market forces. To the largest extent, the corporation has been financially self-sustaining, that is, without significant taxpayer support, for more than a decade. A loan guarantee from the province and targeted grants for specific programs e.g., Tall Ships, have assisted in achieving this self-sustainability. Lack of dependence on the provincial taxpayer has allowed the corporation flexibility in its plans and programs. As development of waterfront land proceeds, the ability to be self-sustaining may diminish due to the market forces that determine income from property development. In addition, as development of vacant land (with temporary parking lots) proceeds, revenue from parking naturally diminishes. These market forces together with increased cost for maintaining important public spaces and infrastructure and the expectation to meet provincial financial debt-management goals create significant challenges.

Designated waterfront areas under its jurisdiction have become the most-visited public spaces in Nova Scotia by visitors and Nova Scotians alike. This has increased public and stakeholder expectations and demands for such things as maintenance, high-quality experiences, repair of aging infrastructure, event management, risk management including safety and security services, and the development of new infrastructure such as recreational vessel docking facilities. All of these demands require additional, and sometimes specialized, expertise, resources, and operational expenditures.

Strategic Goals

- Strategic plans, development initiatives, and acquisition plans for waterfront lands essential for rejuvenation and economic development of designated areas
- Coordinated plan for provincial interest in the industrial use and development of provincial lands on Halifax and Lunenburg Harbours
- High-quality and cost-effective property management to enhance visitor experience and revenue generation
- Development and promotion of events and festivals to enhance the economic, social, and cultural experiences of Nova Scotians and visitors
- Collaborative relationships with government agencies and stakeholders
- Governance, management, and human resources for effective achievement of goals

Core Business Areas

- Coordination and planning of best-use development of Halifax Harbour and Lunenburg waterfront lands
- Management of waterfront property in Bedford, Dartmouth, Halifax, and Lunenburg
- Creation of events for and marketing and promotion of Halifax Harbour waterfronts as centres of year-round activity and interest for Nova Scotians and visitors

Priorities for 2008–2009

Priorities for 2008–2009 are discussed below. A detailed list of projects and initiatives associated with these is contained in Appendix I.

Coordination and Planning

The corporation has a portfolio of multi-year development projects and ongoing projects that it will continue to pursue in this coming fiscal year. These include

- the Salter Block development
- Queen's Landing
- redevelopment of Cable Wharf through private-sector investment to enhance

and maintain a centrepiece of the Halifax Waterfront

- a strategy and plan for the redevelopment of the NovaScotian Crystal building
- Dartmouth Harbourwalk, in particular completion of a new crossing of the Shubenacadie Canal
- a long-term land creation in Bedford and improvements to these lands for public use
- provision of public open spaces in all designated areas of Halifax Harbour
- a plan for George's Island, in association with Park's Canada

Ongoing planning priorities include

- a new strategic land management plan for land holdings on Halifax Harbour
- a needs assessment and plan for Phase II in Bedford, in collaboration with Halifax Regional Municipality
- a plan for Dartmouth Cove, in collaboration with Halifax Regional Municipality, to inform the potential future opportunities for other corporation land in downtown Dartmouth

In Lunenburg the priority will be

- to assist the Department of Economic Development, the Town of Lunenburg, and Lunenburg Waterfront Association Inc. to implement the business plan for recently acquired key waterfront lands for marine-related use
- to coordinate a long-term strategy, plan, and governance, in association with the Department of Economic Development

Events and Marketing

The corporation, in association with the Department of Economic Development and the Department of Tourism, Culture and Heritage, partners, and sponsors, has developed a comprehensive events program. It is a priority to develop events that have strong economic, cultural, and social benefits to the region and Nova Scotia. The priorities include coordinating and managing the Tall Ships Nova Scotia Festival. A business plan has produced a Nova Scotia Tall Ships Festival event schedule with five international opportunities existing through to 2020. The corporation will be managing this event internally, contracting out a number of services such as sponsorship and outport program management. Heavy reliance will be placed on a dedicated host of volunteers.

Tall Ships events require significant financial commitments from the provincial, federal, and municipal governments, the private sector, and the attending public. Challenges in securing the financial commitment from all parties include meeting provincial budget targets, the three-year cycle of the events, and the vagaries of maritime weather. Notwithstanding these challenges, the proven incremental economic impact ($27.5 million in 2007) and the cultural and social benefits warrant the need to meet the financial challenges.

In addition to WDCL-managed events, the waterfronts will be host to many other traditional and new events created by other organizations and businesses, demonstrating the value of the waterfronts in attracting public and private investment and visitors to our province.

A marketing plan will be developed to assess and increase the waterfronts' economic benefit to the province.

Property Management

The corporation owns and manages real estate valued at approximately $100,000,000. Much of this real estate generates revenue from parking, commercial leases, and vessel berthing at various wharves and facilities. A significant portion of the property holdings is developed for public use and is generally non-revenue generating. All properties require maintenance and operating expenditures to ensure high-quality and safe public leisure opportunities, and commitments to tenants. Continuous improvement of public spaces and efficient fulfillment of contractual commitments to tenants are property management priorities. In Bedford, management of the pyretic slate fill operation continues to be a priority.

Berthing opportunities and their management, for both local and visiting vessels, continues to be a priority in Bedford and Halifax. The corporation currently contracts out the day-to-day management of this operation; however, a review of the best management solution will be a priority in the coming fiscal year. Improving marine facilities to provide boaters access to the waterfronts is an ongoing priority. Increased focus on the waterfront areas, in particular Halifax, continues to draw interest from commercial and non-profit organizations alike for special and ongoing events, requiring increased management.

The development of property temporarily used for parking will impact the corporation's revenue stream dramatically. To mitigate this financial impact, the corporation has adjusted, and will continue to monitor, its pricing strategy for remaining parking lots. In addition, the corporation will explore opportunities to create revenue and will continue to enhance existing revenue streams, including berthing operations and leases, to ensure an optimal balance.

Increased focus and federal requirements related to security for visiting ships at WDCL facilities have required increased expenditures monthly for management of these facilities. A priority has been placed on meeting federal laws and regulations in order to maintain the ability to welcome ships registered outside of Canada.

In Lunenburg, a priority is the ongoing maintenance of the properties, to stabilize their condition and ensure that they achieve quality standards, as the properties are put on the market for sale or commercial lease. Maintaining relations and improving services to a number of new and inherited tenants are also important.

Human Resource Strategy

The corporation has a staff of 15. Nine are involved in planning, development, events, and administration, and up to four permanent staff are in maintenance and parking operations. New to this fiscal year will be implementing internal staff for our events and promotion business area with a manager and administrative support and staffing the coordination of our expanded mandate related to provincial interest in harbour industrial land.

Budget Context

	2007–08 Budget ($)	2007–08 Forecast ($)	2008–09 Budget ($)
Revenue			
Rents	1,120,000	1,300,000	1,235,000
Parking	2,082,00	2,010,000	1,962,100
Other income	263,000	311,000	322,000
Grant income	178,400	178,400	310,400
	3,643,400	3,799,400	3,829,500
Operating Expenses			
Insurance	80,000	84,000	84,000
Labour and benefits	261,600	160,000	159,600
Repairs and maintenance	179,400	291,500	308,200
Security	70,000	75,000	72,500
Utilities	99,100	111,500	118,400
Various other	157,600	159,000	135,000
	847,700	881,000	877,700
Income from property	2,795,700	2,918,400	2,951,800
Program expenses	390,000	160,988	385,000
Lunenburg revenue	142,000	229,000	212,000
Lunenburg grant	606,200	476,447	410,000
Lunenburg expenses	748,200	705,447	622,000
	0	0	0
Administration Expenses			
Amortization	350,000	365,000	444,000
Interest on long-term debt	275,000	255,000	252,000
Office, consulting, and general	390,300	386,075	371,200
Salaries and contracts	676,800	605,000	770,000
Staff expenses and benefits	111,600	115,000	129,600
	1,803,700	1,726,075	1,966,800
Income before Infrastructure Fund	602,000	1,031,337	600,000
Infrastructure Fund	155,000	155,000	157,000
Festivals	—	(574,342)	0
Net Income	757,000	611,995	757,000

Financial Management

The corporation reported strong financial results for fiscal 2007, adding $1 million to corporate equity through Operating and Infrastructure Renewal Fund surpluses. Cash flow from operations was almost $1.4 million.

Fiscal 2008 was a challenge on several fronts. Pending development projects and Tall Ships required a significant investment of staff and board energy. The corporation made a number of strategic decisions designed to maximize the return on corporate assets and ensure that future resources are available for the fulfillment of the corporation's mandate. While the 2008 financial results are yet to be determined, it is expected that the corporation will fall short of its budgeted surplus of $757,000. This would mark the first time in several years that the corporation did not exceed its targeted operating surplus.

Despite the fiscal 2008 challenges, cash flow from operations continues to be strong. This cash flow, combined with net proceeds from in-fill operations in Bedford, has allowed the corporation to continue to pay down its revolving operating line. The operating line will be less than $1 million entering fiscal 2008–2009. This is the lowest it has ever been. During fiscal 2007–2008, the corporation entered into a new five-year $6-million operating line facility. This facility is guaranteed by the Province of Nova Scotia and carries an interest rate of P –1.125%.

The corporation continues to own and manage certain properties on the Lunenburg waterfront on behalf of the province. Fiscal 2008 and 2009 are showing great promise in the use of these assets as part of a "working waterfront" in Lunenburg. New leases have been signed and certain assets sold as appropriate. Negotiations are presently ongoing for certain other Lunenburg transactions.

In fiscal 2008–2009, the corporation will continue to focus on its pipeline of projects for the Halifax, Dartmouth, and Bedford waterfronts, as well as planning for Tall Ships 2009. These projects require significant development and financial planning. The development projects are anticipated to have more than $200 million in private investment and provide significant long-term benefits to the province and the Halifax Regional Municipality. These projects are based on "best use" of these valuable waterfront properties and are consistent with the corporation's mandate and the economic priorities of the Province of Nova Scotia.

As the corporation proceeds with development plans to enhance the various waterfronts, portions of the parking revenue stream will be permanently lost. The first impact of this will be experienced in fiscal

2008–2009 with the development of the Salter Block parking lot next to Bishop's Landing. The corporation will experience significant budget pressure during the development phase of this project, as parking revenue will be lost and rent from the land lease will not commence until the development is close to completion. While some projects, including the Salter Block noted above, will have lost parking revenue replaced by ground leases and other revenue opportunities, portions of these projects will become public space. The corporation recognizes that developments that incorporate attractive public space enhance the overall appeal of the waterfront areas and ultimately lead to greater tourism and overall use of the waterfront areas. While it is expected that the city and province will enjoy an increased tax base, the corporation faces a significant challenge in finding replacement revenue and managing increased expenses. Public space is not a direct revenue generator for the corporation but, rather, is a source of increased expenditures. Finding the best mix of private and public uses will continue to be a focus in the corporation's long-term planning.

A total of $2.5 million is scheduled for completion of the Halifax and Dartmouth Harbourwalk and improvement to facilities and buildings. The corporation anticipates receiving a $1.2-million capital grant from the Province of Nova Scotia to assist in this capital program.

Communications

WDCL will continue to develop effective ways of communicating its mandate and priorities to the province, stakeholders, and the public and to seek input on programs and projects. The mechanisms will include the website, corporate newsletter, public information sessions, focus groups, participation in community events, and hosting events for the public on the Halifax waterfronts in Bedford, Dartmouth, and Halifax.

Risk Management

As a waterfront landholder, risk (including injury to visitors and exposure to weather) remains a key challenge. To ensure cost control and operational efficiency within the corporation, service contracts, including risk management/insurance will be carefully reviewed. A safety program is needed to ensure that foreseeable risk is mitigated to the largest extent possible.

Outcomes and Performance Measures

Outcome	Indicator	Measure	Base Year Measure	Target 2007–08	Target 2008–09	Strategies to Achieve Target
Strategic plans, development initiatives, and acquisition plans for waterfront lands essential for rejuvenation and economic development of designated areas	Approved plans and initiatives to rejuvenate waterfront lands	Completion of plans and initiatives	N/A	14	N/A	• Coordination with HRM • Private-sector negotiations on development proposals • Capital investment in infrastructure
Coordination of provincial interest in industrial use and development of provincial lands on Lunenburg Harbour	Leasing/selling of properties	Acres (ha) of land leased/sold	2006: 1 acre (0.4 ha)	1 acre (0.4 ha)	5 acres (2 ha)	Request for proposals
Funding for high-quality and efficient property management to enhance visitor experience and revenue generation	Revenue generation and increased visitation	Increased revenue from commercial parking and tenants and berthing	$3,374,000	$3,396,400	$3,040,000[4]	• Competitive parking rates and efficient operations • Capital investment • Enhanced maintenance

[4] Overall revenue reduced due to replacement of parking with best use development.

Outcome	Indicator	Measure	Base Year Measure	Target 2007–08	Target 2008–09	Strategies to Achieve Target
Development and promotion of waterfront events and festivals to enhance the economic, social, and cultural experiences of Nova Scotians and visitors	Attraction of visitors and Nova Scotians to events	Economic impact to the province	2004: For every $1 spent a return of $20 to the province	For every $1 spent a return of $20 to the province	Marketing plan for waterfront areas: For every $1 spent a return of $20 to the province	• Effective management of event • Business plans
Collaborative relationships with government agencies and stakeholders	Successful partnerships through leveraging WDCL funds	Attracting public and private sector funding	2004: Public—$1.3 million Private—$1.6 million	Public—$1.5 million Private—$.7 million	Public—$1.5 Million Private—$70 million	• Funding proposals to municipal and federal agencies • Private sector sponsorship strategies
Governance, management, and human resources for effective achievement of goals	Governance and management	Structures to attain goals Overall performance of corporation, board, and staff	N/A	N/A	N/A	• Governance review and policy • Effective strategic plan

Appendix 1: List of Projects

1. Coordination and Planning

- Strategic acquisition/disposition of assets essential for realization of waterfront plans
- An analysis of and plan for the development of public space and marine infrastructure in water lots adjacent to the Salter Block development
- Complete feasibility plan for the Queen's Landing Project and seek federal funding for the public portion of the project, especially the infrastructure
- Negotiate a lease and development agreement for the private-sector development associated with the Queen's Landing project
- In partnership with HRM, create a vision and plan, potentially including a fast ferry concept for Phase II in Bedford, and if feasible negotiate a partnership with the private-sector land and water-lot owner adjacent to Phase II in Bedford to achieve access and a joint development opportunity
- An analysis of options leading to a specific plan and construction of improvements to public space and infrastructure in the Mill Cove area of Phase II
- Improvement of public facilities in all waterfront areas, in particular trails, washrooms, and public spaces
- Completion of Phase II of Dartmouth Harbourwalk
- Master plan for Dartmouth Cove, including a plan for public space at the foot of Maitland Street in Dartmouth Cove
- Analysis of options for the private development of WDC-1 in Dartmouth
- Implementation of plans for Cable Wharf, Cable Wharf Plaza, and the NovaScotian Crystal Building
- Provide coordination of provincial interest in lands on Halifax Harbour via the Deputy Minister's Committee on Port Development and Land Use
- In co-operation with HRM, champion and coordinate on waterfront park and trail development along the Dartmouth waterfront, from the MacDonald Bridge to Woodside Ferry Terminal, and seek public- and private-sector funding support
- In association with the Department of Economic Development and the community of Lunenburg a sustainable plan for the marine use of recently acquired waterfront land

2. Property Management

- Revenue generation for operating and capital expenditures through leasing, parking, and berthing operations
- Expansion of and management of public marine facilities for the boating public and visitors
- Creation of new land for public space and development through infilling of water lots in Bedford
- Maintain properties and public spaces to a high standard and use best practices
- Implementation of occupational health and safety plan and practices; review risk management program to ensure adequate coverage
- Ongoing maintenance of the properties in Lunenburg to stabilize their condition and ensure that they achieve quality standards
- Review of service contracts to ensure strong value and manage cost

3. Events and Promotion

- Engage waterfront stakeholders to develop a marketing strategy
- Provide relevant timely information on waterfront activities to Nova Scotians and our visitors
- Working with waterfront stakeholders and partners, form a waterfront marketing group to address year-round retail and service opportunities
- In co-operation with other stakeholders, assess the future of the Halifax Harbour Festival
- Provide support to annual waterfront festivals and events such as SummerFest Canada Day celebrations, International Buskers Festival, Halifax-Dartmouth Natal Day, Bedford Days, alFresco filmFesto, Nova Scotia Designer Craft Council Show of Hands Summer Craft Festival, and NBA Hoop it Up Competition
- Commitment to the Tall Ships program and the Tall Ships Nova Scotia Festival 2009, including
  - annual attraction of Tall Ships visits to Nova Scotia and specifically Halifax Harbour
  - allocation of resources, on an annual basis, to Tall Ships Nova Scotia festivals, the next one scheduled for 2009

- developing relationships with the American Sail Training Association and Sail Training International, the international organizations with which WDCL contracts Tall Ship events
- working with non-profit societies such as SeaStar to promote sail training for youth in association with tall ship events.

• For the Tall Ships 2009 Nova Scotia Festival, WDCL has

- contracted with Sail Training International to have Nova Scotia as a tall ship host port and race start in the Tall Ships 2009 Challenge Race
- allocated operating funds to develop the 2009 festival with expenditures committed both in 2008–2009 fiscal, with the larger percentage of expenses being in fiscal 2009–2010