Crown Corporation Business Plans

FOR THE FISCAL YEAR

1999-2000

PROVINCE OF NOVA SCOTIA

Province of Nova Scotia

Crown Corporation Business Plans

for the fiscal year ***1999–2000***

Nova Scotia

Printed by Order of the House of Assembly

Submitted by
The Honourable Donald R. Downe
Minister of Finance

Designed and published by
Communications Nova Scotia

ISBN: 0-88871-555-2

PRINTED IN CANADA
IMPRIMÉ AU CANADA

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.

Contents

Art Gallery of Nova Scotia 5
Bedford Waterfront Development Corporation Limited 21
Halifax-Dartmouth Bridge Commission 23
Halifax-Dartmouth Port Development Commission 37
InNOVAcorp 47
Novaco Limited 61
Nova Scotia Arts Council 63
Nova Scotia Beef Commission 73
Nova Scotia Business Development Corporation 79
Nova Scotia Crop and Livestock Insurance Commission 89
Nova Scotia Farm Loan Board 99
Nova Scotia Film Development Corporation 117
Nova Scotia Fisheries and Aquaculture Loan Board 127
Nova Scotia Gaming Corporation 135
Nova Scotia Harness Racing Incorporated 173
Nova Scotia Housing Development Corporation 175
Nova Scotia Liquor Commission 181
Nova Scotia Municipal Finance Corporation 209
Nova Scotia Power Finance Corporation 221
Nova Scotia Resources Limited. 227
Rockingham Terminal Inc. 235
Sydney Environmental Resources Limited 241
Sydney Steel Corporation 249
Tidal Power Corporation 277
Trade Center Limited. 279
Waterfront Development Corporation Limited 293

Art Gallery of Nova Scotia

Business Plan 1999–2000

Contents

A Brief History 7
Mission 10
Strategic Goals 10
Core Business Functions 11
Performance in 1998–99 12
Priorities for 1999–2000 15
Communications 20
Conclusion 20

A Brief History

Established by an act of the Provincial Legislature in 1975, the Art Gallery of Nova Scotia is dedicated to the acquisition, preservation, and exhibition of works of art and to providing education in the visual arts. The opening of the first permanent location (current Gallery North) in 1988 marked the end of a long search for a home for the Gallery, which began with the establishment of the Nova Scotia Museum of Fine Arts (NSMFA) in 1908.

In 1968, a new act respecting the Nova Scotia Museum of Fine Arts was passed by the Provincial Legislature, enlarging the capacity and power of the organization. The Museum took over the operation of the Centennial Art Gallery, located in a powder magazine of the Halifax Citadel. The Centennial Art Gallery remained in service until January of 1978, when it was returned to its original function by Parks Canada.

In March 1975, the Nova Scotia Museum of Fine Arts moved to the former Anna Leonowens Gallery in the Nova Scotia College of Art and Design Building on Coburg Road. The official opening of the Gallery was on June 9, 1975 by the Honourable Clarence L. Gosse, Lieutenant Governor of Nova Scotia.

In November 1988, the Gallery opened its new and permanent home in the former Dominion Building on Hollis Street. The building, designed by architect David Sterling and completed in 1867, has served Nova Scotians as a post office, customs house, law courts, and RCMP headquarters. The area in front of the main entrance (Cheapside) was once a popular farmers market.

In June of 1998, the Art Gallery of Nova Scotia expanded into two and a half floors of the adjacent Provincial Building. The $2.5-million expansion now accommodates the Maud Lewis Gallery, an education centre, exhibition space, an expanded Gallery Shop, Cheapside Café, Art Sales and Rental Gallery, collection storage, and office space. The expansion has freed space in Gallery North for the NSCAD Gallery, NSCAD Archives, and special collection galleries.

Today, the Art Gallery of Nova Scotia integrates the distinguished presence of a Nova Scotia heritage building with modern facilities that allow the Gallery to more completely fulfill its purpose to collect, conserve, exhibit and educate. Although located in Halifax, the Gallery is dedicated to serving all Nova Scotians and to introducing visitors to the province's vital cultural life.

With the theme of "reaching out," the Gallery, in 1997, established the Maud Lewis Memorial site in Marshalltown, NS. The memorial is an ongoing project with the local community and pays tribute to one of Canada's most distinguished artists.

Currently, plans are under way for the establishment of the Western Branch of the Art Gallery of Nova Scotia in Yarmouth. The Western Branch will provide services in the visual arts to all of southwestern Nova Scotia. A capital campaign is ongoing, and construction is due to start in 1999, for completion in the spring of 2000.

Other initiatives in the visual arts around the province are being explored, such as the possibility of an association with the University College of Cape Breton Art Gallery in Sydney and the Charles Macdonald House of Centreville Society. The Gallery's travelling exhibition program is being revitalized to provide exhibitions throughout Nova Scotia.

These and other initiatives will allow the Gallery to fulfill its goals and to reach out to new audiences. The AGNS will be entering into the new millennium having successfully realized an expansion in facilities, programs, and profile in a climate where similar institutions across the country are being forced to reduce, or even close, their scope of operations.

Art Gallery of Nova Scotia

Actual 1997–98	Budget 1998–99	Expenditures	Budget 1999–2000
670,023	778,400	Salaries & benefits	844,300[1]
1,040,984	1,270,400	Costs	1,645,400
1,711,007	2,048,800	Total expenditures	2,489,700
Revenues			
1,289,884	1,418,000	Government	1,654,500[2]
417,694	630,800	Non-government	835,200
1,702,578	2,048,800	Total Revenues	2,489,700

1 *Includes civil servants and contract employee salaries and benefits.*

2 *Includes all levels of government.*

Outreach Budget Requirements 1999–2000

	Salaries, Benefits Operating Costs
Western Branch, Yarmouth	$70,000
Charles Macdonald House	$35,000
Other–Programming	$60,000
TOTAL	$165,000

Mission

To serve the public by bringing the visual arts and people together in an environment which encourages exploration, dialogue, and enjoyment.

This will be achieved by providing leadership in the development and preservation of quality collections, exhibitions, and education and public programs.

Strategic Goals

Goal I

To have the Mission Statement guide the activities of the Gallery and continue to provide leadership and advocacy for the visual arts.

Goal II

To maintain the Gallery's infrastructure in Halifax and establish an additional facility outside of metro.

Goal III

To achieve the level of human resources and support systems necessary to sustain current and expanded activities.

Goal IV

To increase the significance, documentation, and conservation of the Permanent Collection.

Goal V

To provide programming in exhibitions, public programs, and education that continues to enhance the strength of the Gallery within the local and national communities.

Goal VI

To increase the number of casual visitors and increase partnerships with community arts organizations.

Goal VII

To explore and expand the use of new technologies in our operations, education, and public access applications.

Goal VIII

To achieve funding growth by continuing to develop a diversified funding base and to continue to operate the Gallery in a fiscally responsible and effective manner.

Core Business Functions

Collections and Collection Management

- Ensure the continued development of the Gallery's Permanent Collection, and Loan Collections through acquisition, documentation, preparation, exhibition and storage of the collections.

Conservation and Preservation of Collections

- Ensure accepted standards for preventive care of works of art are maintained and conserve the collections through the implementation of appropriate examination, documentation, and treatment procedures.

Public Programming: Exhibitions, Education, and Publication of Materials

- Provide quality, well-researched exhibitions and public programs and education opportunities, and facilitate the expansion of knowledge through printed material, new technologies, and interaction with trained professional and volunteer staff.

Development, Marketing, and Communications

- Ensure the development and implementation of effective funding initiatives through broad-based planning, to encourage greater self-sufficiency in support of all areas of the AGNS. Work to increase awareness and interest in the AGNS to attract more visitors and members and promote the value of the visual arts in Nova Scotia.

Human Resources

- Provide a healthy, productive, and safe work environment for all employees and to recruit, train, and provide leadership for volunteers in all areas of AGNS operations.

Setting Standards

- Work in partnership with other arts organizations, government departments and stakeholders to develop and establish standards in the collection of art, the presentation of exhibitions and public programs, conservation, and collection management. Provide education and consultation on various aspects of art museum practice for colleagues outside the institution.

Performance in 1998–99

Goal I

To have the Mission Statement guide the activities of the institution and continue to give leadership and provide advocacy for the visual arts.

- Achieved objectives for programs and activities that reflect the Gallery's mission statement.
- Continued with a professional staff and dedicated volunteers to make the Gallery an exciting and dynamic place to fulfill our mission.
- Included the mission statement in printed materials (i.e., Journal, Calendar, Annual Report) to help create increased awareness of the Gallery's mission to a wider audience.
- Continued with training program for security personnel to better relate to public relations functions.
- Continued to engage new audiences to make art more central to people's lives.

Goal II

To maintain and expand the Gallery's infrastructure in Halifax and throughout the province, thereby enabling increased programming and professional activity in the visual arts.

- Completed the Phase II Expansion, Provincial Building.
- Secured campaign goal of $2.5 million- for Phase II Expansion.
- Completed retrofit of Provincial Building (Phase II Expansion) and opened in June 1998.
- Implemented new visual identity and way-finding programs for the Gallery.
- Continued capital fundraising campaign in southwestern Nova Scotia.
- Developed key media strategies to create awareness of the project.
- Held discussions regarding AGNS involvement in the Cape Breton region.

Goal III

To expand the collection to include the best available examples of the historical and contemporary visual heritage of the province and elsewhere.

- Completed the move to enlarged storage space for the collection.
- Ongoing process for the establishment and review of collection de-accessioning.
- Ongoing process to secure major gifts, both historical and contemporary. Collections received include a second major gift of historical prints and drawings from John Oyler; major collection of ecclesiastical art from the Archdiocese of Halifax, and three collections by contemporary Nova Scotian artists, Alex Colville, Roger Savage, and Henry Orenstein.
- Ongoing process of data entry. Approximately 8,500 records are entered in the new collections management program, “SNAP,” in preparation for the acquisition of MultiMIMSY for 1999–2000 and implementation of a full-time data entry position in conjunction with this program.
- Ongoing process to raise funds for the NSCAD Archive Project. A special fundraising project is in the planning process.

Goal IV

To attract new audiences, increase the Gallery’s visibility, and increase partnerships with community art organizations.

- In concert with Visual Arts Nova Scotia, held third bi-annual VANS exhibition.
- Received Canada Council funding for acquisition of contemporary Nova Scotian and Canadian art.
- Continued ongoing process to secure private funding for acquisitions. Expanded Sunday family programs with:
  - more frequent programs
  - increased number of activities per each session
  - secured grant support
- Introduced new programs for school groups and teachers.
- Increased public programs for adults.
- Increased attendance at all public programs by an average of 20 per cent.
- Increased resource materials for visitors in exhibitions.

Goal V

To explore and expand the use of new technologies in our operations, education, and public access application.

- Continued the technologies committee of staff and outside consultants.
- Began the planning and implementation process for digitalization of the collection. A partial grant from the Museums Assistance Program was received.
- Launched first on-line exhibition.
- Purchased four new workstations and upgraded software applications.
- Carried out research for future purchase of museum-specific software.
- Conducted a survey of members, volunteers and staff to evaluate AGNS website.
- Redesigned AGNS website.
- Provided computer training for staff.

Goal VI

To achieve funding growth by continuing to develop a diversified funding base and to continue to operate the Gallery in a financially responsible and effective manner.

- Secured sponsorships for exhibitions and programs.
- Secured increased contemporary art programming funding from The Canada Council for the Arts.
- Accomplished goals in annual special events, membership, and AGNS appeal campaigns.
- Exceeded cost-recovery goals for classes, workshops, and tours.
- Secured second year operating grant from the Halifax Regional Municipality as well as a project assistance grant.
- Secured the following endowments in 1998–99 for the AGNS Phase II Expansion and the Western Branch of the Art Gallery of Nova Scotia in Yarmouth:
  - Barbara and Norman Newman Education Centre
  - Elizabeth and Frederick Fountain Gallery
  - Katherine and Alexander Fountain Gallery Shop
  - Fred C. Manning Temporary Exhibitions Gallery
  - Scotiabank Maud Lewis Gallery
  - The Laufer Family Gallery
  - The Craig Foundation
  - Christopher Ondaatje
  - Anthony and Jane Shaw Law Gallery
  - Art Sales and Rental Society Gallery
  - Marian deWitt Gallery
  - Maritime Tel & Tel
  - Royal Bank

Priorities for 1999–2000

Goal I

To have the Mission Statement guide the activities of the Gallery and continue to provide leadership and advocacy for the visual arts.

- Develop key activities that both reflect the values of the institution as expressed in the mission and advocate for a significant place for the visual arts in the life of the province, i.e., Nova Scotia Young Art touring exhibition celebrating and advocating for visual arts education for children.
- Share the knowledge and skills of AGNS staff with staff and volunteers in other institutions through workshops, mentoring, advocacy, and contributing to literature in the fields of museology and visual arts.
- Continue efforts to create an environment in the Gallery that is comfortable, friendly, and engaging for visitors.
- Design exhibitions and associated in-gallery materials and programs that encourage visitors to discuss, question, challenge, and reflect.
- Design all public programs to include exploration of art currently on exhibition.

Goal II

To maintain the Gallery's infrastructure in Halifax and establish an additional facility outside of metro.

- Renovate spaces in Gallery North to accommodate the NSCAD Archives.
- Complete construction in 1999 of the Western Branch of the Art Gallery of Nova Scotia in Yarmouth.

Goal III

To achieve the level of human resources and support systems necessary to sustain current and expanded activities.

- Collaboratively assess the human resources structure and needs of the Gallery as a whole and identify priorities for change and growth.
- Implement effective and appropriate growth in staff and volunteer numbers and allocation of responsibilities.
- Develop a program of staff development opportunities in both skill improvement and workplace dynamics.
- Explore means to use available staff expertise for staff development through

workshops, sharing materials, and mentoring.

- Evaluate current practices and develop improved methodology for orienting and training volunteer and casual staff.
- Assist the Health and Safety Committee in developing strategies for employee safety.
- Continue to promote and enforce the no scent policy for the institution.
- Enhance and promote the employee recognition program.
- Provide support and structure for leadership of the volunteers.
- Develop and implement a volunteer screening, training and placement program.
- Continue to utilize the services of volunteers in specific aspects of AGNS operations.
- Begin implementation of the volunteer module of Raiser's Edge (database).

Goal IV

To increase the significance, documentation and conservation of the collection through the continuation of current initiatives.

- Maintain collections records system of data and complete digitalization of the existing collection.
- Raise the profile of the collection through special in-house permanent collection exhibitions, institutional loans, and travelling exhibitions.
- Seek funding to establish additional positions in collection management areas.
- Acquire the expanded collections management software program MultiMIMSY for the year 2000.
- Conserve works from the Permanent Collection and, where necessary, works on temporary loan, to meet the needs of the AGNS exhibition programming schedule.
- Ensure the effectiveness of the newly formulated Emergency Plan by conducting appropriate training exercises.
- Secure additional major gifts, both historical and contemporary.
- Secure funding to document the Maud Lewis House Conservation Project in the form of a monograph, which would be available for purchase by the general public.

Goal V

To provide programming in exhibitions, public programs, and education which continue to enhance the strength of the Gallery within the local and national communities.

- Give special consideration to minority cultures.
- Enter into relationships with other national and foreign galleries and agencies.
- Provide a balanced program that addresses the needs and interests of a variety of community constituencies.
- Publish exhibition-related materials (catalogues, brochures) that are written in accessible language and demonstrate scholarship.
- Develop a program of exhibitions that best utilize the strengths of the curatorial staff and encourage curatorial growth.
- Continue to refine the school program offerings to meet community needs.
- Continue the development of the travelling exhibition program to increase opportunities for Nova Scotians to experience AGNS-originating exhibitions in various sites throughout the province and region.
- Initiate the first AGNS/National Gallery of Canada collaborative exhibition of the work of a premier Nova Scotian artist.
- Continue to refine our studio programs for children.

Goal VI

To increase the number of casual visitors and increase partnerships with community arts organizations.

- Market the Gallery aggressively to a wide audience, including the HRM and the province as a whole.
- Provide opportunities for casual visitors to learn more about the work on exhibition through extended labels, text panels, resource centres, tours, discussions, talks, and videos. These opportunities serve to further engage viewers with art and build comfort in the art museum environment, thus encouraging return visits.
- Continue to provide programming that attracts family groups to drop in activities, such as Family Sundays.
- Continue to provide events and programs in conjunction with other arts groups, both at the AGNS and off site.
- Increase the number of casual visitors to the AGNS through specific, defined initiatives.
- Increase the profile of the AGNS outside of HRM through specific defined initiatives.

- Increase the number of partnerships with community and provincial arts organizations.

Goal VII

To explore and expand the use of new technologies in our operations, education, and public access applications.

- Develop a contractural relationship with ITS Division of the Department of Education and Culture.
- Replace AGNS Server with equipment recommended by ITS Division of Department of Education and Culture.
- Purchase and install a POS (point of sale) system in the Gallery Shop.
- Research and implement E-commerce through our website for Gallery Shop wholesale and retail operations.
- Expand the use of the website as a communication tool and integrate all core business functions into the priorities for further development.
- Improve the effectiveness and efficiency of Raiser's Edge as a fund development tool.
- Install and implement an integrated admissions, class/programming registration, space booking, tour booking, and master scheduling system.
- Establish appropriate ongoing support for technologies infrastructure, projects, applications, and planning.
- Explore the expansion of the website to include on-line programming.
- Provide training that allows staff and volunteers full utilization of all AGNS software applications.
- Continue to reassess the AGNS technology infrastructure and plan for its ongoing maintenance, updating, and enhancement.

Goal VIII

To achieve funding growth by continuing to develop a diversified funding base and to continue to operate the Gallery in a financially responsible and effective manner.

- Secure additional private funding for acquisitions.
- Raise funds for the NSCAD Archive Project.
- Raise funds for the exhibition and maintenance of the collection.
- Develop a plan to establish a Conservation Fund that can be used on an annual basis for contracting private conservators to treat works of art.
- Maintain or increase the level of Canada Council funding for programs.

- Secure Canada Council funding for acquisition of contemporary Nova Scotian and Canadian art.
- Secure additional cost centre options, i.e., research fees, to help support specific functions.
- Research additional grant opportunities and continue to access appropriate grant funding sources with well researched and produced.
- Increase the number of mechanisms that generate revenue for AGNS.
- Support and advise Friends of the AGNS in the achievement of their fundraising objectives.
- Develop and implement an in-memoriam program.
- Implement a structured volunteer strategy for distribution of information for our planned giving program.
- Review planned giving policies for consistency with AGNS endowment fund policies.
- Plan and effectively integrate direct mail as a communication and fundraising vehicle, and broaden the base of supporters and donors.
- Increase the amount of revenue generated through special events.
- Evaluate and determine priorities for effective fundraising events sponsored by AGNS.
- Create a policy framework for the inclusion of special events as fund development tools.
- Implement, in a focused way, the integrated approach to fundraising.
- Establish and refine the rental policy of AGNS and determine priorities for space usage based on good business practice.
- Continue to introduce small business initiatives to attract new donors and supporters.
- Periodically review the process for administration of gifts.
- Create the Maud Lewis Authority and establish it as an entity separate from The Gallery Shop.
- Focus and support retail development for The Gallery Shop.
- Increase the revenue generated from the Membership Program through specific initiatives.
- Increase the number of programs to sustain membership involvement.

Communications

- Develop and implement year one of a three-year promotional plan supporting activities in the downtown core.
- Expand advertising campaign to maximize promotion to specialized target groups.
- Target advertising campaigns for specific exhibitions.
- Develop media relationships throughout Nova Scotia.
- Target particular exhibitions for promotion in specific community newspapers.
- Develop and implement a process for designing and selecting annual themes for promotion.

Conclusion

The Art Gallery of Nova Scotia has enjoyed a special role in the art community throughout Nova Scotia in the past, and with the implementation of this business plan, we will continue to build on our successes in fulfilling our mission of "bringing art and people together."

Bedford Waterfront Development Corporation Limited

Business Plan 1999

Note to Reader:

A business plan for the fiscal year 1999–2000 and beyond is being presented to the Department of Economic Development and Tourism, but had not been completed at the time this document went to print. It will be available as a separate document by July 1, for this fiscal year.

Present Situation

The Bedford Waterfront Development Corporation Limited (BWDCL)is a new provincial Crown corporation, established at the end of March 1999 that has assumed most of the assets, responsibilities, and liabilities of the Bedford Waterfront Development Corporation. The BWDCL is responsible for the coordination, management, acquisition, sale, leasing, development, and maintenance of any lands or premises relating to the development of the waterfront lands owned by the BWDCL on the Bedford Basin.

The BWDCL has acquired two land sites that are suitable for immediate development and one other site, suitable for future development. As well, it has contracts and mortgages with other development companies to complete other land sales.

The BWDCL is required to reimburse the provincial government a debenture that is charged against the current land holdings, by selling (at predetermined prices) their current land holdings. The BWDCL has the mandate to redevelop and revitalize sections of the waterfront along the Bedford Basin, ensuring the highest possible quality of urban design and amenity.

The BWDCL strives to meet the market requirement for land on the waterfront of Bedford Basin that is suitable for development.

The Company

The BWDCL was established on March 26, 1999. The BWDCL can best be described as being in the business of land development. Our key strength has been the creation of choice waterfront land on the Bedford Basin.

The company is managed by a Board of Directors, who volunteer much of their time and have an abiding interest in the public-oriented development of the waterfront on the Bedford Basin.

Finances

In 1998–99 the Bedford Waterfront Development Corporation received an operating grant from the Department of Economic Development and Tourism in the amount of $232,100. The operating grant requested by the Bedford Waterfront Development Corporation Limited for 1999–2000 is $165,000.

Halifax–Dartmouth Bridge Commission

Business Plan 1999–2000

Contents

Mission 25
Strategic Goals 25
Core Business Functions 26
Performance in 1998–99 27
Priorities for 1999–2000 28
Human Resources 30
Communications/Public Relations 30
Information Technology 31
Year 2000 32
Budget 33

Mission

"To provide safe, convenient and reliable passage for all our patrons."

Under provincial legislation, the mandate of the Halifax–Dartmouth Bridge Commission (HDBC) is to construct, maintain and operate bridges and the necessary approaches thereto across Halifax Harbour.

Since being incorporated in 1950, HDBC has constructed, maintained, and operated two bridges across the harbour. During 1998, the Macdonald and MacKay bridges carried almost 29 million vehicles. On a per capita basis (population: 350,000), we may be the most frequently used toll bridges in North America.

Strategic Goals

Goal I

Maintain the bridges in top condition through a continuous maintenance program.

Goal II

Reduce toll plaza and bridge congestion through new initiatives such as the expansion of the Angus L. Macdonald Bridge, the introduction of Electronic Toll Collection (ETC), the redesign of the Angus L. Macdonald Bridge toll plaza, and the construction of the Barrington Street access ramp.

Goal III

Ensure the continuing financial self-sufficiency of HDBC through sound financial planning and management.

Goal IV

Demonstrate community responsibility through liaison with stakeholders. Regular communications with our patrons, neighbours and appropriate levels of government will assist us in meeting their needs and expectations as they relate to the service we provide and the general manner in which we conduct our business.

Goal V

Ensure that public safety and employee safety are considered in all policies, operations, and initiatives of HDBC.

Core Business Functions

Financial Planning and Management

- Develop and implement financial plans to support annual operating costs and capital projects and also to ensure the most effective use of our long-term borrowing and investment capabilities.
- Assess risk and ensure adequate and appropriate insurance coverage.
- Develop and maintain internal controls to avoid losses through fraud or misrepresentation.

Toll Collection and Processing

- Sell tokens and transponders, and collect tolls mechanically and electronically for almost 29 million vehicles annually.

Inspection and Maintenance

- Conduct a thorough annual inspection of the bridges to identify immediate, mid-term, and long-range maintenance requirements and incorporate these requirements into the maintenance schedule.

Winter Roadway Maintenance

- Through the use of the roadway "Ice Detection System" and continuous staffing, ensure prompt attention to ice and snow removal on the bridges during the winter season. This requires a rigorous winter maintenance schedule, since suspension bridges develop ice faster than other roadways.

Traffic Safety and Emergency Response

- Monitor bridge traffic and respond quickly to incidents and accidents as required, thereby minimizing traffic disruptions on the structures. This is accomplished through radar speed enforcement, the use of video monitoring, and continuous surveillance of the bridges by commissionaires and maintenance staff.

Capital Improvements

- Through on-going review and analysis, identify and implement improvements that will allow us to better meet the needs of our stakeholders.

Performance in 1998–99

Goal I

Maintain bridges in top condition

- Contract for the Macdonald Bridge Reconstruction and Third Lane Expansion Project continued within budget and on schedule.
- Conducted annual inspections and carried out regular maintenance activities as permitted by reconstruction project. These activities included the regular painting program on both bridges, replacement of several expansion joints, line painting, and repairs to the deck and piers of the MacKay Bridge.

Goal II

Reduce toll plaza and bridge congestion

- Completed installation and rigorous 30-day test period prior to the introduction of the electronic toll collection (ETC) system, MACPASS, to the public. By the end of 1998, approximately 5,000 accounts were established, with 7,500 transponders in use, and MACPASS accounted for approximately 8.7 per cent of total daily transactions. Four toll lanes on the MacKay were designated "MACPASS Only."
- Continued construction for the Macdonald Bridge Reconstruction and Third Lane Expansion Project, within budget and on schedule.
- Designed and installed more effective overhead signage for Macdonald and MacKay bridge toll plazas. Reconfigured Macdonald Bridge toll plaza for improved traffic flow.

Goal III

Ensure financial self-sufficiency

In 1997, HDBC successfully issued $100,000,000 of Toll Revenue Bonds at 5.95 per cent and arranged a line of credit for $30,000,000. These Toll Revenue Bonds are secured by an assignment of the revenues of HDBC, and are not guaranteed by the Province of Nova Scotia or the Halifax Regional Municipality. The Toll Revenue Bonds were rated AA (low) by Dominion Bond Rating Service Limited, and A+ by Standard & Poor's Ratings Group. In 1998, HDBC continued to control and manage OMA expenditures, and met the conditions of the bondholder's Trust Indenture. In 1998 and in the future, HDBC had and will have sufficient cash flow to ensure its financial self-sufficiency.

Goal IV

Stakeholder liaison

- Continued the community relations program with neighbourhood letter drops and public open house sessions.
- Maintained communications with other primary stakeholders in the Macdonald Bridge Third Lane Project. Stakeholders include the provincial government, bridge users and bridge neighbours, community partners such as HRM Regional Council, HRM Fire Services, HRM Police Services and Emergency Services and Metro Transit, and others for whom the bridges are an essential transportation link.
- Opened MACPASS Customer Service Centre in October 1998. The centre is located in the lower level of the MacKay Bridge Administration Building and serves both regular and commercial customers.

Goal V

Ensure public safety and employee safety

- Improved public safety and employee safety through new initiatives, such as radar speed enforcement on both bridges, and employee training, such as fall arrest systems training for all bridge painting staff.

Priorities for 1999–2000

Goal I

Maintain bridges in top condition

- Complete construction on the Macdonald Bridge Reconstruction and Third Lane Expansion Project and the Barrington Street access ramp.
- Continue annual inspections and maintenance program. The majority of maintenance work in 1999 will be carried out on the MacKay Bridge and will include deck repairs, expansion joint replacement, cable and suspender rope cladding at deck level, and breather joint replacement.

Goal II

Reduce toll plaza and bridge congestion

- Continue marketing activities aimed at increasing MACPASS usage to 30 per cent of daily traffic volume, or approximately 25,000 crossings per day.
- Increase the number of “MACPASS Only” lanes as usage permits.
- Complete construction on the Macdonald Bridge Reconstruction and Third Lane Expansion Project and Barrington Street access ramp.

Goal III

Ensure financial self-sufficiency

- Manage the financial resources of HDBC so as to meet the obligations of the bondholder's Trust Indenture, capital projects, and the annual O.M.A. budget.

Goal IV

Stakeholder liaison

- Continue to communicate with key stakeholders in the Macdonald Bridge Reconstruction and Third Lane Expansion Project via media relations, public open house sessions, special messaging, and other continuous communications activities.
- Maintain communications with MAC-PASS customers via Customer Service Centre.

Goal V

Ensure public safety and employee safety

- Install ice detection system on Macdonald Bridge.
- Install 16-camera surveillance system for vehicular, pedestrian, and bicycle traffic on Macdonald Bridge.
- Establish an emergency telephone system consisting of six telephone boxes on the Macdonald Bridge sidewalk and bicycle lane.
- Train all full-time employees in standard first aid.
- Install traffic gates in all automatic lanes thus controlling traffic speed.

Human Resources

At the present time, HDBC employs 25 full-time administration and maintenance staff and 50 full-time members of the Corps of Commissionaires. These numbers include staff at the MACPASS Customer Service Centre, which opened in 1998. During the spring, summer, and fall, HDBC also employs 10 part-time summer gardening staff and 35 part-time painting staff.

HDBC has a contract with the Teamsters, Chauffeurs, Warehousemen, Helpers & Miscellaneous Worker (Local 927), which expires in June 2000, and also with the International Brotherhood of Painters & Allied Trades (Local 1439), which expires in October 2000.

Training and development of all staff will be ongoing in 1999.

Communications/ Public Relations

The Bridge Commission will be focusing on four major communications/public relations tasks in 1999:

1. **Continuing communications regarding bridge construction and bridge closures to all key stakeholders.** The community relations program will focus on strengthening relationships and encouraging two-way communications with these key stakeholder groups, particularly bridge neighbours, both commercial and residential. Communications efforts will focus on activities relating to the conclusion of the project, such as public celebrations, media relations, and completion of a video documentary. Special emphasis will be placed on educating the public about the use of reversible third traffic lane, the bicycle lane, and the new access ramp.

2. **Marketing of MACPASS.** Promotional brochures aimed at converting token users to MACPASS will be developed and distributed through the serviced toll lanes. Other marketing opportunities will also be explored.

3. **Hosting the International Bridge Tunnel & Turnpike Association (IBTTA) Annual Meeting in September 1999**. HDBC will host approximately 700 representatives from toll agencies around the world during this four-day conference.

4. **Lighting the bridges for the Millennium.** Permanent accent floodlighting will be installed on the Macdonald Bridge, highlighting the towers, main cables and suspender ropes, and outlining the bridge against the backdrop of Halifax Harbour at night. The Macdonald Bridge will be lit on January 1, 2000, following New Year's family celebrations on the Dartmouth waterfront. If financial resources allow, the MacKay Bridge will be lit on January 1, 2001. HDBC will partially fund the project, while working to secure the remaining funds from the Canada Millennium Partnership Program and corporate sponsors. The bridge lighting will celebrate the historic achievement of bridging Halifax Harbour and will be a millennium legacy for future generations.

Information Technology

HDBC's in-house computer system is a 17-user Compaq system, which includes:

Proliant 2500R Server (1)

Deskpro 6000 5/200 (3)

Deskpro 6000 5/166 (7)

Deskpro 2000 P/133 (5)

Wyse 55 Terminal (1)

Wyse WinTerm (2)

IBM ThinkPad 600

IBM ThinkPad 365XD

The host computer operates on a SCO UNIX platform, and the workstations operate in a Windows 95/98 NT environment.

The ETC system includes the following:

Compaq Prosignia 200 -Plaza servers (2)

Pentium lane controllers (24)

Electronic lane systems (24)

The two plaza systems connect to our main in-house server and download data on a real time basis.

Because of our increasing emphasis on customer service, an Interactive Voice Response (IVR) system is used to support the MACPASS system. This allows customers to call in and retrieve information about their MACPASS account over the phone or by fax. This system is integrated with our main server and is updated daily.

Year 2000

Testing of systems to ensure Year 2000 compliance is ongoing. The Commission has obtained certification from relevant suppliers that the majority of its computer systems are compliant and has developed a plan to replace and/or upgrade the balance to be fully compliant.

It is anticipated that all primary systems will be compliant by the end of June 1999 and issues with secondary applications will be addressed by August 1999. The cost implications to the Commission to become year 2000 compliant are minimal.

Statement of Income (Note 1) for the Years Ended December 31,

	1999 Budget	1998 Actual	1997 Actual
Revenue			
Toll revenue	$20,904,080	$20,920,247	$20,638,696
Other rate charges	106,075	95,000	186,075
Investment and sundry income			
Capital Fund investment income	—	—	315,488
Sinking Fund investment income	—	—	2,315,528
OMA and Debt Service Funds	170,000	194,348	—
Other	212,000	81,647	119,595
	21,392,155	**21,291,242**	**23,575,382**
Expenses			
Operating, maintenance and administrative charges (note 3)	4,892,165	4,478,392	4,429,207
Amortization of capital assets	1,800,000	2,261,921	1,045,757
Interest on long term debt and financing costs (note 2)	7,780,200	7,117,097	11,025,145
	14,472,365	**13,857,410**	**16,500,109**
Income from operations	**6,919,790**	**7,433,832**	**7,075,273**
Other income (expense)			
Gain on sale of sinking fund investments	—	—	3,490,796
Gain on sale of capital fund investments	—	—	416,326
Long term debt prepayment premium	—	—	(18,637,000)
	—	**—**	**(14,729,878)**
Net Income (loss)	**$6,919,790**	**$7,433,832**	**$(7,654,605)**

Notes to Statement of Income for Years Ended December 31,

Note 1
Accounting policy

The Commission, which is a provincially controlled public sector entity, reports as a government business enterprise as defined in the Public Sector Accounting and Auditing handbook of the Canadian Institute of Chartered Accountants. Government business enterprises are required to use generally accepted accounting principles for profit-oriented entities, which is the basis under which these financial statements are prepared.

Note 2
Interest on long term debt and financing costs

	1999 Budget	*1998 Actual*	*1997 Actual*
Interest on long term debt	$5,950,000	$5,950,000	$10,687,209
Interest on line of credit	988,000	324,870	—
Amortization of financing costs and discounts	842,200	842,227	337,936
	$7,780,200	**$7,117,097**	**$11,025,145**

Note 3
Operating, maintenance and administrative changes

	1999 Budget	*1998 Actual*	*1997 Actual*
Salaries and full time wages			
Administration	$401,900	$387,361	$460,875
Maintenance	516,200	499,724	476,202
Customer Service Centre	204,300	101,112	—
Salaries and wages part time			
Painting	450,615	392,669	413,392
Landscaping	37,200	35,643	35,649
Conferences and seminars	24,200	20,331	15,978
Office administration	60,600	69,386	60,293
Telecommunications	45,000	42,876	36,759
Other			
Operations	1,208,000	1,178,231	1,230,935
Maintenance	983,000	757,648	889,682
Administration	858,150	917,630	809,442
Customer Service Centre	103,000	75,781	—
Total Charges	**$4,892,165**	**$4,478,392**	**$4,429,207**

Halifax–Dartmouth Port Development Commission

Business Plan 1999–2000

Contents

Introduction 39
Mission 39
Strategic Goals 40
Core Business Functions 40
Performance in 1998–99 41
Priorities for 1999–2000 43
Human Resources 44
Communications 44
Information Technology 44
Budget 45

Introduction

The Halifax-Dartmouth Port Development Commission was incorporated under Chapter 6, Acts of 1984 by the General Assembly of Nova Scotia, and assented to by the Lieutenant Governor on June 11, 1984. The Commission's board is comprised of 12 members, all of whom are appointed by the Governor in Council and one of whom is appointed chairman by the Governor in Council. Seven members are appointed by the province and five nominated by Halifax Regional Municipality. Government funding is provided by both the province (58.5 per cent) and Halifax Regional Municipality (41.5 per cent).

The province and municipality restructured the Commission in late 1996 to enable a more coordinated approach to development by adding key stakeholders from the port, airport, and international trade sectors to the Commission's Board.

Mission

To maximize the economic development of the municipality and the province through the development and promotion of the Port of Halifax, and to strengthen the port's competitiveness. This encompasses all facilities, services, and transportation modes involved with port activity.

The Port of Halifax has an economic impact of 7750 jobs, $520 million in incomes earned, and $305 million in expenditures. Port of Halifax container traffic is vital to the long-term viability of the rail system east of Montreal. As well, the frequency and diversity of container shipping services that call on Halifax primarily to service inland markets (two-thirds of the port's container business) provides Nova Scotian (and other Atlantic Canadian) producers and exporters with excellent access to overseas markets.

Strategic Goals

Goal I
To expand traffic at the Port of Halifax.

Goal II
To protect and strengthen the competitive position of the Port of Halifax.

Goal III
To develop Halifax as an international maritime centre.

Core Business Functions

- Market and promote the use of the Port of Halifax locally, nationally and internationally.
- Coordinate port development among key stakeholders.
- Conduct research and analysis, and provide advice to stakeholders.
- Develop and maintain a data bank on industry developments.
- Provide policy recommendation to government.
- Promote community awareness of the strategic importance of the port.

Performance in 1998–99

Goal I

To expand traffic at the Port of Halifax.

- Solicited shipping lines and agents in Montreal, Toronto, New York, Europe, and the Far East. This involved calls on senior representatives of both existing and potential port customers to detail the advantages of the Port of Halifax (working in conjunction with the federal Halifax Port Corporation and Canadian National Railways).
- Launched enhanced Port of Halifax magazine (shifting to full-colour, bi-monthly format), which has an estimated 18,000 readers in the local, national, and international transportation and trade sectors.
- Organized Halifax Port Days, an industry conference/promotional event attended by over 750 local, national, and international representatives of the transportation industry.
- Participated as a member of the Port Stakeholders Group in efforts to secure Maersk and Sealand's consolidated business for their proposed east coast megaterminal.
- Hosted a promotional reception for customers of the Port of Halifax (as represented by shipping lines, agents and cargo interests) in Toronto (cost-shared with HPC).
- Hosted a reception and luncheon in New York for key North American shipping line representatives (cost-shared with HPC).
- Solicited cruise lines at the Seatrade Cruise Convention in conjunction with provincial and municipal tourism officials.
- Published a *Directory of Atlantic Canada Importers and Exporters* (cost-shared with HPC) and statistics on Canadian overseas trade to assist port marketing staff and shipping lines in their efforts to develop traffic via the Port of Halifax.
- Developed and executed an advertising strategy for the Port of Halifax (cost-shared with HPC).

Goal II

To protect and strengthen the competitive position of the Port of Halifax.

- Worked with key stakeholder organizations as represented on the restructured board of the Commission to ensure closer coordination of port development and to address common issues and concerns.
- Conducted research and analysis and played a major role in the campaign for a more equitable Canadian Coast Guard Marine Services Fee. The aids to navigation fee has now been frozen for three years, and the federal government has recently introduced, for the first time, an icebreaking services fee at ports that require these services.
- Made representations on the proposed Canada Marine Act, including appearing before the Senate Standing Committee on Transport.
- Made representations on other policy/legislative issues affecting the competitiveness of the Port of Halifax.
- Produced a new economic impact study for the Port of Halifax (cost-shared with HPC).

Goal III

To develop Halifax as an international maritime centre.

- Expanded research and marketing efforts on this initiative which seeks to position Halifax as an attractive headquarters location for shipping lines to take advantage of favourable provisions of the Income Tax Act.
- Continued a direct marketing program aimed at this initiative.

Priorities for 1999–2000

Goal I

To expand traffic at the Port of Halifax.

- Continue all initiatives outlined under Performance in 1998–99.
- Expand use of the Internet as a marketing tool and for communications with customers, stakeholders, and government.
- Work closely with HPC, CN, terminal operators, ocean carriers, and cargo interests to expand the port's hinterland, particularly in the US Midwest.

Goal II

To protect and strengthen the competitive position of the Port of Halifax.

- Continue all initiatives outlined under Performance in 1998–99.
- Work with key stakeholder organizations as represented on the restructured Board of the Commission to ensure closer coordination of port development and to address common interests and concerns.
- Work with all stakeholders to reduce costs in the "via Halifax" routing.
- Address emerging policy/legislative issues that impact on the competitiveness of the Port of Halifax.

Goal III

To develop Halifax as an international maritime centre.

- Continue all initiatives outlined under Performance in 1998–99.
- Expand direct marketing campaign.
- Pursue other initiatives to expand awareness of Halifax as a headquarters location, including conferences/trade shows and the Internet.

Human Resources

The Commission now operates with a staff of three: Executive Director, Research Analyst, and Secretary/Accountant, down from a staff of five in 1995–96 and six in 1991–92.

Communications

Key Messages

“Industry trends are positioning the Port of Halifax to develop as a major North American load centre for container traffic.”

Audience: All Port of Halifax stakeholders, service providers, specific shipping lines and cargo interests.

“Cost to the ocean carrier is the major factor driving the Port call decision.”

Audience: All Port of Halifax stakeholders and service providers must recognize this and work to improve efficiency, resulting in lower rates and tariffs.

“Halifax has major advantages as a headquarters location for shipping companies and other transportation firms.”

Audience: Firms that derive the majority of their earnings from international shipping and fit the requirements of the Income Tax provisions, other transportation firms and government.

Information Technology

The Commission uses four Pentium workstations configured in a local area network. Software includes word-processing, spreadsheet, communications, graphics, database, and accounting packages.

Budget

Revenues	***Actual* *1996–97***	***Actual* *1997–98***	***Budgeted* *1998–99***	***Budget Request* *1999–2000***
Government				
Province of Nova Scotia	$300,000	$300,000	$300,000	$300,000
Halifax Regional Municipality	212,820	212,820	212,820	212,820
Non-government	161,145	165,151	150,000	130,000
Total Revenues	**$673,965**	**$677,971**	**662,820**	**642,820**
Expenses				
Salaries and Benefits	$163,646	$176,832	174,580	$175,000
Other Operating Costs	436,262	520,119	488,240	467,820
Total Operating Expenses	**$599,908**	**$696,951**	**662,820**	**642,820**
	74,057	(18,980)	0	0
Allocations to (withdrawals from) Contingency and Capital Fund*	46,683	(27,700)	0	0
Excess of Revenues Over Expenses, Allocations and Withdrawals	**$27,374**	**$8,720**	**0**	**0**

* The nature of the Commission's business results in certain extraordinary, non-annual expenses (e.g., production of the Port Directory, promotional video, consulting services, etc.) which are funded by a reserve established by the Commission expressly for this purpose.

InNOVAcorp

Business Plan 1999–2000

Contents

Executive Summary 49
Mission 51
Strategic Goals 51
Core Business Functions 52
Performance in 1998–99 54
Priorities for 1999–2000 57
Financial Projections 1999–2000 60

Executive Summary

This business plan covers the period April 1, 1999 to March 31, 2000. It is the result of listening to feedback, input, advice, and suggestions from our customers, partners, and staff. During this period InNOVAcorp will continue to focus on technology commercialization and working with individual entrepreneurs, as well as building industry sectors. The corporation will target three market segments—life sciences, information technology, and advanced engineering. Our focus is on technology commercialization, finding new markets, and satisfying our client needs.

InNOVAcorp is committed to a customer-centred approach to service delivery. Our unique approach to strengthening and growing technology-based companies is a powerful way to create new investment, high-value jobs, and Nova Scotia exports. We work with individual companies to help them grow and partner with industry leaders to develop new industry sectors. InNOVAcorp believes its comprehensive technology commercialization capability and smart business incubation process are powerful ways to strengthen and to grow local technology-based companies and to prepare them for global markets.

In 1999–2000, InNOVAcorp will continue to evolve our technology commercialization mission.

The corporation will grow leading-edge, Nova Scotia-based enterprises that enhance the technology sectors of importance to InNOVAcorp and the province.

The 1999–2000 year presents great opportunities for increased progress. InNOVAcorp will continue to develop as a vital organization effectively influencing the growth of Nova Scotia's new knowledge-intensive industries. Organizationally, we will prosper as a quality provider of commercialization services. Our objectives for this planning period reflect commercialization leadership, building a business-networked environment, a climate of credibility and trust, creative thinking, and open communication with our employees and our clients. This corporate plan will contribute in important ways to our clients, our stakeholders, and to technological and business infrastructure of Nova Scotia.

The future at InNOVAcorp depends on our ability to be a credible and sustainable force in science and technology-based industry. We will continue to challenge tradition in 1999–2000 and will take calculated risks to make innovation happen.

InNOVAcorp is planning for a better than break-even year. By adding new business activities and aggressively pursuing existing opportunities, InNOVAcorp plans to achieve gross revenues of $9.1 million for the planning period April 1, 1999 to March 31, 2000. Expenses are expected to be $8.9 million, combined with amortization of operational assets of $0.5 million and Nova Scotia FIRST Fund Investment income of $0.3 million. Significant increase in the corporation's revenue base will occur over the next three years. Growth will result from a clear focus on technology commercialization customers, increased high-growth technology opportunities, development of strategic partnerships, and returns on early investments.

Millennium year, 1999–2000, will be the fourth full year of InNOVAcorp's operation. This plan builds on what we have learned from past experience and our emerging market environment, and it focuses on exciting new opportunities that lie ahead.

Our direction is focused and clear. Our team is committed, and we welcome the challenge.

Mission

To build relationships that enable technology-based Nova Scotia firms to compete successfully for business anywhere in the world.

InNOVAcorp Vision

InNOVAcorp is a leader in creating value through technology commercialization.

Our Definition of Success

Our aim is to define our competitive environment and choices, to create our markets and future, to be a unique best practices benchmark and leader in technology commercialization.

Operating Principles

The operating principles that guide InNOVAcorp's work are:

- a team approach
- customer value
- market focus
- deliver results
- respect for the individual
- open communication
- integrity, mutual trust and caring
- competence and quality
- enjoy our work
- recognize success
- seek new opportunities

Strategic Goals

At InNOVAcorp, we believe focusing on the following three goals will help us succeed:

Goal I
Achieving business development via relationships.

Goal II
Building a financially viable organization.

Goal III
Achieving competence in technology commercialization and reputation for excellence.

Core Business Functions

InNOVAcorp's core business function is technology commercialization. We define technology commercialization as adding business know-how to the results of scientific and technical discovery to yield a return on investment.

Our technology commercialization process works on two levels:

1. **Helping individual firms bring their technologies to commercial markets.**
2. **Building new growth sectors.**

Helping Individual Firms Bring Technologies to Market

InNOVAcorp works one-on-one with Nova Scotia companies following a comprehensive commercialization process that helps prepare companies for export markets. Based on the customer's needs, a customized commercialization service package is tailored for them. The corporation's commercialization services include:

- assessing the business and technological feasibility of entrepreneurial innovations
- providing entrepreneurs access to advice on protecting proprietary intellectual property assets
- developing effective business plans
- conducting customized information searches of library and database sources on specific technology issues and business development topics
- researching key technology trends and emerging technology-related business opportunities
- providing and facilitating investment financing for qualified business opportunities
- providing on-site and "virtual" incubation services to nurture promising technology-based businesses through the start-up phase
- helping entrepreneurs to design and develop innovative products and processes for the marketplace
- facilitating relationships between innovative entrepreneurs and key government agencies and facilitating access to needed industrial supports
- guiding entrepreneurs in developing and implementing marketing strategies

- providing engineering and scientific testing services to ensure the quality of product innovations
- assisting entrepreneurs with access to relevant information on regulatory approval requirements
- assisting with the implementation of quality programs

Building New Growth Sectors

InNOVAcorp works with private sector partners to identify technology-based sectors that have the best potential for development in Nova Scotia. Industry sector development functions include:

- monitoring selected new technologies, market dynamics, and competitive industry trends and assessing the implications and future potential for Nova Scotia business
- identifying and prioritizing industry sectors where there are strategic technology-based opportunities for developing clusters of related companies
- developing networks, alliances, partnerships, and key relationships to support industry sector development
- forming public/private sector teams to pursue business opportunities for Nova Scotia companies
- initiating joint public/private sector planning and development of strategic sector technology opportunities, i.e., information technology, life sciences, advanced materials engineering, and ocean industries
- providing advice to government on policies and business climate enhancements to assist industry sector development
- ensuring industry access to advanced scientific and technological infrastructure and capabilities that will contribute to industry competitiveness and growth
- developing the competitiveness and quality standards employed by Nova Scotia industry
- establishing investment and financing infrastructure to meet the needs of technology-based Nova Scotia businesses
- implementing and managing projects that help to create new wealth and jobs in Nova Scotia and create new opportunities for Nova Scotia companies

Challenges

Managing Risk

Our corporate focus on innovation and early stage technology adoption entrepreneurs means we are more risk tolerant than mainstream venture capitalists. However, our hands-on and mentor approach to technology commercialization companies allows us to identify and mitigate key business risks. We continuously work to refine our understanding of the competitive market environment, business needs of technology entrepreneurs, our customer service process, and our use of methodologies to assess and manage risks associated with our investment opportunities.

Performance in 1998–99

InNOVAcorp has achieved many significant objectives and milestones in the 1998–99 business year:

Building New Growth Sectors

- We launched the Life Sciences Industry Partnership (LSIP), an innovative public-private partnership, with a focused three-year mission to double the size of Nova Scotia's life science industry by assisting biotech, medical devices, and health-related information technology companies to grow and develop successfully.
- We initiated a private sector business alliance of regional, national, and international business leaders to promote and grow Atlantic Canada's information technology industry capabilities and international markets.
- We partnered with the National Research Council, other government agencies, the University College of Cape Breton, and leaders in the Cape Breton community to develop a proposal for a new information technology lab to meet the needs of the growing information technology sector in Cape Breton and other parts of Atlantic Canada.

- We established a partnership with the Information Technology Industry Alliance of Nova Scotia (ITANS) to develop Nova Scotia's information technology industry.
- We formed a business partnership with a Nova Scotian advanced materials manufacturer to jointly develop international market opportunities in advanced materials engineering.
- We partnered with the Town of Wolfville, Acadia University, the Kings Community Development Agency, and business leaders in the community to develop plans for a new Valley Technology Innovation Centre to commercialize new technology-based enterprise.
- We were a sponsor of SoftWorld 1998, Canada's premier deal-making event for the information technology industry, which was held in St. John's, Newfoundland.
- We partnered with the Information Technology Alliance of Canada (ITAC) and the Information Technology Industry Alliance of Nova Scotia (ITANS) to host the next Atlantic region SoftWorld conference in Halifax in October 2000.
- In partnership with Nova Scotia Economic Development and Tourism and the Greater Halifax Partnership, we have assisted in attracting new trade and business investment to the province.

Helping individual companies bring new technologies to market

- We added nine new companies and five new affiliate companies to our incubators. We graduated two companies from our Technology Innovation Centre, seven companies expanded, and a total of 49 new employees were hired.
- In October, we showcased 50 technology companies, with over 600 visitors in attendance at our Technology Innovation Centre in the Woodside Industrial Park; a number of commercial deals resulted from the showcase event.
- We assisted 16 companies in obtaining ISO 9000 registration.
- We answered over 2000 client inquiries through the Industrial Research Assistance Program.
- We played a key role in strengthening and focusing university research commercialization efforts.

- We invested in 10 Nova Scotia companies over the past 36 months to help them commercialize their technology, including:
  - a company that manufactures and distributes diagnostic tests for marine toxins
  - a software development house with applications in land records management
  - a company that provides an integrated high-speed photographic solution to the quality control process in the pulp and paper industry
  - a company that develops and builds mobile satellite stations
  - a company that employs proprietary technology to produce unique environmentally friendly fertilizer products
  - a company that is developing a new medical device to reduce the occurrence of organ adhesions as a result of abdominal surgery
  - a company that manufactures a water treatment system for the agricultural industry
  - a company that develops environmental packaging materials for transporting infectious substances
  - a company that specializes in plant biotechnology and biomechanical engineering of plant physiology and technology
  - a company that does contract R&D and product development in the advanced microelectronics field
- We assisted over 50 companies with product development, environmental simulation testing, materials testing and forensic services and provided custom-engineered industrial products to the global marketplace.
- We provided analysis for more than 300 clients (a total of over 2000 jobs) in our scientific laboratories, testing food, environmental samples, and water samples for industry.
- We maintained our status as an ISO-registered company, the first provincial government organization in Atlantic Canada to successfully achieve this designation.

Priorities for 1999–2000

Proactively seek out and work with individual companies to commercialize promising Nova Scotian technology in the life sciences, information technology, and advanced materials sectors.

- Establish InNOVAcorp as a key partner for development in our target sectors and for economic growth.
- Establish the Life Sciences Industry Partnership (LSIP) as the 'place to go' for life science–related technology commercialization and related services in Nova Scotia. LSIP will work towards establishing Nova Scotia as a major player in the world life science market and become a leader in the coordination of government and partner/alliance efforts in this sector. During 1999–2000 LSIP hopes to achieve $30 million in new exports, attract $30 million in new capital investment, and create 200 high-value positions.
- In conjunction with the Nova Scotia Department of Economic Development and Tourism, the Atlantic Canada Opportunities Agency (ACOA), Industry Canada, and industry, develop a plan to double the size of the aerospace industry in Nova Scotia by focusing and coordinating our collective interests.

Develop strategic partnerships to create focused innovation systems that link strengths and capabilities in research, teaching, incubation, commercialization, and industry to target and exploit new high-growth business opportunities.

- Partner with Dalhousie University to develop new business opportunities in life sciences.
- Partner with Acadia University, the Town of Wolfville, and the Kings Community Development Agency to establish a new business incubation centre to meet needs and develop new opportunities in the Annapolis Valley.
- Partner with the Nova Scotia College of Art and Design, multimedia producers, the film industry, and other industry leaders to develop new opportunities in creative content development.
- Partner with industry leaders to prepare for SoftWorld 2000, to be held in Halifax in October 2000.
- Partner with ITAC and the SoftWorld organizations in Vancouver and Atlantic Canada to develop international market opportunities.

- Partner with industry leaders to establish *IT Atlantic*, a private sector–driven business alliance to grow new IT-related business opportunities in Atlantic Canada.
- Maximize the value of the relationship with NU-TECH.
- Partner with industry leaders to prepare for HealthWorld 2000, to be held in Halifax in July 2000.

Enhance our customer service process based on client inputs and changing needs to ensure a best practice model and customer-driven quality standards.

- Deliver effectively the NRC-IRAP and CTN programs to enhance the quality of solutions delivered to clients by levering on the service offerings of InNOVAcorp colleagues. Support the commercialization activities of InNOVAcorp through the provision of market intelligence and involvement in the investment review process.
- Deliver services in industrial/mechanical engineering and prototyping to assist clients to identify opportunities for productivity and cost reduction by conducting industrial engineering studies. These studies often reveal the applications for specialized equipment in which InNOVAcorp can assist in the design and the fabrication.
- Deliver product-testing services to manufacturers of a wide variety of products. This is a key component of the product development process and hence complements InNOVAcorp's mandate of technology commercialization.
- Deliver the Technology and Quality Services program by providing assistance to companies in their quality and productivity assessments, by assisting firms in their technology planning process, investigating the possibility of HACCP assessment, and delivering business effectiveness workshops.

Achieve financial sustainability, increased independence and flexibility to adapt to new needs and market opportunities:

- Establish InNOVAcorp's position in the marketplace as leader in technology commercialization in Nova Scotia, with emphasis on establishing the corporate brand.
- Establish a customer-focused research and evaluation program that will assist in enhancing InNOVAcorp's position as a knowledge leader in its target markets and related technology commercialization sectors (information technology, life sciences, advanced materials engineering).
- Define the business case and pilot networked information technology to deliv-

er incubation and commercialization services to rural and urban clients (“virtual business incubation”).

- Develop new revenue sources within the incubation program that are consistent with ‘incubation best practice’. Expand the client base and the services offered at the incubators (Technology Innovation Centre, AgriTECH Park, and the BioScience Enterprise Centre) currently managed by InNOVAcorp. InNOVAcorp will evaluate existing programs and look for new core competency opportunities to ensure clients are served in an innovative way. This will also contribute to building market share.
- Complete quality investments via formal and informal alliances to generate planned revenue and continue to provide effective management of existing investments.
- Partner with public and private sector organizations to establish a $40 million seed fund that will support early stage financing of technology based companies.
- Develop alternative revenue sources, such as through applying fee schedule for investments, including the opportunity to exchange professional services for equity participation or obtaining reliable marketing intelligence regarding the potential for alternative sources.
- Develop new commercial opportunities for laboratory and testing services as well as enhanced career paths for related staff.

Nurture the organization’s effectiveness and the well-being of our employees.

- Ensure that the current quality management system continues to be effectively managed in all participating business units, and that mechanisms are in place to drive continuous improvement.
- Foster a corporate culture where employees enjoy their responsibilities and learn to work effectively with one another. Create a well-informed, committed workforce at InNOVAcorp.
- Develop and install technology enablers to provide more efficient reports for use by management in decision making and effecting change.
- Pilot Performance Management System that is results oriented.
- Invest in capital improvements.
- Confirm the list of organizational values, devise a plan, and begin its implementation.

Financial Projections 1999–2000

Revenue	
Service and program revenue	$5,756,000
Provincial contribution	3,521,000
Net capital funding deferred	(143,000)
Total Revenue	**$9,134,000**
Operating Expenses	8,882,000
Income Before Amortization & NSFF Income	**252,000**
Amortization	<542,000>
Nova Scotia FIRST Fund Investment Income	300,000
Net Income	**$10,000**

Notes:

Calculation of Net Capital Funding Deferred

Recognition of current previous years' deferred provincial funding re Capital Asset Acquisitions	207,000
Minus: Provincial Funding Deferred re Capital Acquisition	315,000
Equals: Current Year Net Capitall Funding Deferred	(143,000)

Novaco Limited

Business Plan 1999–2000

Mission

To assist the province in the development of an appropriate coal mining industry for Nova Scotia.

Strategic Goals

Goal I
Advise the Provincial Government on policy related to coal mining.

Goal II
Evaluate, develop, and mine surface coal, either directly or using contractors.

Core Business Functions

- Evaluate near surface coal deposits.
- Purchase land holdings near-surface coal resources.
- Conduct surface coal mining directly or through the use of contractors.
- Reclaim lands disturbed by coal mining operations.
- Provide policy advice to the Provincial Government on the coal industry.

Performance in 1998–99

Nominal activities; future under review.

Priorities for 1999–2000

The future of Novaco is under consideration. Options will be presented to Cabinet within the next year for using Novaco's residual funds.

Human Resources

There are no active employees. Current support for Novaco is supplied by Department of Natural Resources staff.

Communications

As required to advise municipalities and the public of remediation activities that take place in their areas.

Information Technology

Supplied through Department of Natural Resources.

Budget

Current assets (cash plus short-term investments) amount to approximately $551,000.

Outcome

Considerable reduction to liability associated with abandoned mines on Crown lands.

Nova Scotia Arts Council

Business Plan 1999–2000

Contents

History .65
Mission .65
Strategic Goals .66
Core Business Functions and Performance in 1998–99 67
Priorities for 1999–2000 70
Staffing 71
Council Members 71
Budget 72

History

The Nova Scotia Arts Council/Conseil des arts de la Nouvelle-Écosse was formed by an act of legislation in January 1996, following the recommendations of a steering committee appointed to the task. The first members of Council were appointed on May 1 of that year and met together for the first time in August. The remainder of the first year (1996–97) was spent in discussing and determining mission, vision, a governance model, and guiding principles, policies, and programs. The recommendations of the steering committee were reviewed, and Council studied those government policies that would affect the Arts Council. A search was conducted for suitable office space, staff job descriptions were circulated, interviews conducted, and the process of hiring staff was begun.

The Council became fully operational in its second year (1997–98). Operating grants to professional arts organizations were transferred from the Cultural Affairs Division to Council. With the addition of new monies from the province, grants were made available to individual professional artists for the first time. A governance manual for the Council was completed and distributed.

The current year (1998–99) has seen a number of new initiatives, which are described in below.

Mission

The Nova Scotia Arts Council/Conseil des arts de la Nouvelle-Écosse is dedicated to making Nova Scotia a place where artists' voices are heard and the arts will thrive.

Strategic Goals

The following strategic goals are based on the objectives outlined in the Act of Legislation

Goal I
To make the arts integral to the lives of all Nova Scotians.

Goal II
To foster excellence throughout the province.

Goal III
To encourage creative expression by funding activity in the arts.

Goal IV
To utilize peer assessment in the determination of artistic merit and the allocation of funding.

Goal V
To educate the public regarding the cultural, social, and economic importance of the arts.

Goal VI
To strive for regional, cultural, and developmental equity in the distribution of funding.

Goal VII
To carry out research on matters related to the arts.

Goal VIII
To establish and administer the Nova Scotia Arts Endowment Fund.

Core Business Functions and Performance in 1998–99

Funding Programs

During 1998–99, grants were awarded in all funding categories, for all areas of the arts, and to artists and arts organizations in all parts of the province. All grants and awards are determined through facilitated peer assessment processes.

Grants to Individuals

- Grants are awarded to individuals in the areas of professional development, research, travel, creation, and presentation.

Project Grants to Organizations and Small Groups

- Project grants are awarded to organizations and small groups in the areas of production/presentation, touring, commissioning, and professional development.

Operating Grants to Organizations

- Operating grants are awarded to offer assistance to the ongoing activities of professional arts organizations.

The Portia White Prize

- The Portia White Prize is awarded annually to recognize cultural and artistic excellence on the part of a Nova Scotian artist who has attained international professional status and recognition. With a monetary award in the amount of $25,000 it is the most significant prize for culture in Nova Scotia, and among the most prestigious prizes awarded in Canada. Announcement of the recipient is made in February (or March) of each year. The 1998 recipient was Dr. George Elliott Clarke, a distinguished Nova Scotian poet, essayist, and exponent of black culture.

MT&T New Media Awards

- The MT&T New Media Awards were initiated this year, with funding assured from MT&T, to stimulate and recognize projects in New Media Production.

Arts inFusion

- In the fall of 1997, NSAC was invited to submit a proposal to the national ArtsSmarts initiative of the J. W. McConnell Family Foundation. The result has been the development of *Arts inFusion*, planned and developed in partnership with the Department of Education and Culture's Cultural Affairs Division and English Program Services. *Arts inFusion* is a three-year research project focused on learning through the arts in all subject areas of the curriculum. The program is funded by a grant from the J. W. McConnell Family Foundation with additional investment by the NSAC. Seven schools and a pool of 17 artists have been selected to initiate the program.

Additional Services to the Cultural Community

Program officers regularly visit all parts of the province and are available for individual conference by phone or in person.

Seminars and workshops led by individuals with expertise in specific areas are offered periodically to grant applicants and recipients. This year the staff organized a seminar on organizational effectiveness for operating grant clients, and a two-day learning-through-the-arts workshop for schools and artists involved in the *Arts inFusion* program.

A client survey brought favourable comments and suggestions from a high percentage of applicants in all categories. It was interesting to note that 66 per cent of the responses were from those who had not seen success with their applications, yet reacted favourably to the process.

Communications

The Council identified increased communication as a priority area. To that end, information brochures have been developed, a formal first Annual Report published, and the first of the Arts Council's newsletters has been distributed. Press release notices of deadlines, awards, prizes, and special events are made available regularly.

NSAC staff meet periodically with Cultural Affairs Division (CAD) staff counterparts to discuss areas of overlapping, or shared, responsibility. A Liaison Committee is made up of the Executive Director, Chair, and Vice Chair of Council and two administrators from CAD. Its purpose is to assure ongoing communication and discussion between the Council and Cultural Affairs. This is the only permanent committee of Council.

Involvement in other culture-related activities

To realize the Council's objectives relating to research and knowledge of matters affecting the arts, staff and members of the Arts Council are active participants in several areas. These include the following:

- the Cultural Sector Strategy

- the Foundation for Heritage and Arts Stabilization and Enhancement (FHASE)
- the Minister's working committee on the development of a sound recording program
- representation on the board of the Canadian Conference of the Arts
- advisory roles and peer assessment for Canada Council and other federal agencies
- advisory roles to other arts councils
- membership on national and provincial boards.

Nova Scotia Arts Endowment Fund

Management and growth of the endowment fund is a Council responsibility. To date, three trustees have been named, investment objectives have been identified, and a managing company appointed. The Council is proceeding cautiously with fundraising initiatives for the endowment fund. Care is being taken to not infringe upon the fundraising activities of other cultural organizations in Nova Scotia. Policy for the endowment fund states that earned interest will be used to stabilize the fund and to augment the annual grants budget line of the NSAC. On the advice of the trustees, Council has agreed that no monies will be taken from the interest gained until the fund reaches the minimum amount of $1 million. The trustees for the Nova Scotia Arts Endowment fund are Jim Gogan, Past President and CEO, Empire Company Limited, Stellarton; Irving Schwartz, President, Schwartz and Company Limited, Sydney; and Glenn Squires, CEO, Pacrim Development, Halifax.

Priorities for 1999–2000

- To continue to increase communication through the Arts newsletter, the media in general, and timely press releases; by continuing provincial visits by staff; and by the addition of a website.
- To develop an Artist in the Community program.
- To seek additional partnerships that would increase specific project funding for professional artists.
- To explore further partnerships in the area of arts education (an additional proposal is presently under consideration).
- To continue discussions with Cultural Affairs, particularly in the areas of
  - community arts
  - funding for the larger organizations whose operational funding remains with CAD
  - partnering in networking strategies to facilitate the distribution of information regarding funding opportunities and matters affecting the arts, to the artists, and the cultural community of the province
- To prepare for the development of a strategic plan and for general policy review as the third year of operation comes to a close
- In the area of staff development and evaluation, to develop handbooks, seek professional development opportunities, and refine the evaluation process.
- In the area of the endowment fund; to increase the capital through funding and investment strategies.

Staffing

The full complement of staff was realized in December with the addition of a secretary/receptionist.

Russell Kelley, Executive Director

Peter Kirby, Program Officer, Grants to Individuals

Pat Kipping, Program Officer, Grants to Organizations

Darcy Rhyno, Arts Education/Community Liaison Officer

Margaret Hoyle, Office Manager/Bookkeeper

Noëlla Samson, Secretary/Receptionist

Council Members

Chair

Ninette Babineau, Halifax

Vice-Chair

Douglas Brown, Marion Bridge

Secretary

Gay Hauser, Halifax

Members

Shelley Fashan, Lake Echo

Sheilagh Hunt, Halifax

Christopher King, Baddeck

James MacSwain, Halifax

Lindsay Marshall, Chapel Island

Mern O'Brien, Halifax

Ken Schwartz, Canning

Carol Sinclair, Guysborough

Susan Tileston, Granville

Marianne Ward, Dartmouth

Budget

	Actual 1997–98	*Actual 1998–99*	*Projected 1999–2000*
Revenue			
Grant revenue from province	1,300,000	1,500,000	1,700,000
Sponsorships	1,589	132,411	112,000
Earned interest: operating	12,109	15,000	15,000
Deferred revenue	70,550	52,557	—
Total Revenue	**1,384,248**	**1,699,968**	**1,827,000**
Expenses			
Grants to individuals programs	385,154	448,447	484,000
Grants to organizations programs	539,900	615,000	700,000
Other grants, prizes and awards	45,499	168,000	170,000
Grants Sub-total	*970,553*	*1,231,447*	*1,354,000*
Program delivery	62,166	157,247	148,738
Assessment costs–juries	32,404	33,500	42,200
Program delivery sub-total	*94,570*	*190,747*	*190,938*
Administration			
Sales and Benefits	75,735	105,615	116,390
Board Costs	21,963	19,000	19,000
Rent, supplies, services, etc.	168,870	153,159	146,672
Administration sub-total	*266,568*	*277,774*	*282,062*
Total Expenses	**1,331,691**	**1,699,968**	**1,827,000**
Surplus (deficit)	**52,557**	**0**	**0**

Nova Scotia Arts Endowment Fund

Balance at Year End	631,807	675,000	780,000

Nova Scotia Beef Commission

Business Plan 1999–2000

Contents

Background 75
Mission 75
Strategic Goals 75
Core Business Functions 76
Performance in 1998–99 76
Priorities for 1999–2000 76
Budget 77
Human Resources 77
Outcomes and Outcome Measures 78

Background

The Nova Scotia Beef Commission operates under the auspices of the Nova Scotia Department of Agriculture and Marketing. It was established by the Beef Commission Act on August 1, 1990 and is concerned solely with expanding and developing the beef industry in Nova Scotia.

The Nova Scotia beef industry accounts for approximately 11% of the total farm cash receipts in Nova Scotia and has a value of $29–$36 million per year, depending on the level of prices received. With approximately 2000 beef producers, the beef sector has the largest number of producers of any commodity in the province.

Mission

To encourage and promote the development of the Nova Scotia beef industry.

Strategic Goals

In conjunction with farm organizations and the Production Technology Branch of the Nova Scotia Department of Agriculture and Marketing:

Goal I
Develop an analysis of the beef industry in Nova Scotia, determine the development opportunities for the industry, and develop a strategy to help the industry achieve its full potential.

Goal II
Provide an ongoing review of all programs offered by the Nova Scotia Department of Agriculture and Marketing and other agencies affecting the beef industry in Nova Scotia, and recommend means whereby programs may be better allocated to meet the objectives defined in the beef development strategy.

Goal III
Assist the Nova Scotia Cattlemen's Association in revitalizing and strengthening the organization to better serve the Nova Scotia beef industry.

Core Business Functions

The Commission

- advises and makes recommendations to the Minister on:
  - — The allocation of resources to the beef industry; and
  - — The development and administration of policies and programs for the beef industry.
- carries out such functions to support the development of the beef industry as assigned by the Minister or prescribed by regulation.
- carries out specific projects designed to address industry problems and future development.

Performance in 1998–99

The Commission held the last meeting on October 9, 1997. At that time, the following was dealt with.

- The Commission reviewed the Minister's Beef Task Force and approved it.
- The Commission met with Pork Nova Scotia and the Nova Scotia Milk Producers regarding the possibility of creating a system of single desk marketing.

No further meetings were held in 1998.

Priorities for 1999–2000

The future work of the Commission will be dependent to an extent on the recommendations made by the Ministerial Task Force.

Staff of the Commission will continue to:

- Evaluate the effectiveness of the Beef Commission's structure and explore alternative methods to enhance the beef industry.
- Provide managerial and support services to the Nova Scotia Beef Commission by arranging regular meetings, preparing meetings, preparing minutes, coordinating the operational aspects of the Commission's mandate, and acting as Secretary of the Commission.

- Continue to explore new and improved marketing opportunities for the beef industry and continue to produce a feeder sale price summary on an annual basis.

Budget

With the reorganization of the Nova Scotia Department of Agriculture and Marketing, the Beef Commission budget has been reduced to $22,300, with some of the Commission's budget responsibilities being transferred over to the new Production Technology Branch for the 1999–2000 budget.

The Beef Commission office has been relocated from the Dairy Building, NSAC Campus, to the Harlow Institute building. The responsibility for the new Beef Commission office has been assigned to the Production Technology Branch, Nova Scotia Department of Agriculture and Marketing.

Human Resources

The Beef Commission consists of a five-member board appointed by the Governor-in-council. Members are selected to represent the various sectors of the beef industry.

The terms for the following board members expired in the fall of 1997 and to date have not been replaced: Rick Williams, Chairman; Joe MacKinnon, Pauline Meek, and Charles MacKenzie.

The staff of the Livestock Section, Production Technology Branch, are presently looking after the operational aspects and mandate of the Commission. Some work is also done through the use of casual employees.

Much of the work of the Commission is accomplished in cooperation with other branches of the Nova Scotia Department of Agriculture and Marketing, Agriculture Agri-Food Canada staff, producer organizations, and commodity groups.

Regular meetings of the Commission are held as budget funding permits.

Outcomes and Outcome Measures

- Industry growth and development will be assessed on an ongoing basis by tracking beef cattle numbers, sector cash farm income, number of farms, average herd size, market numbers, and prices.
- Specific projects will be assessed on an individual basis.
- Client satisfaction will be assessed on an ongoing basis.

Nova Scotia Business Development Corporation

Business Plan 1999–2000

Contents

Introduction 81
Mission 81
Overview of the Corporation 81
Past Performance 83
Performance in1998–99 84
Priorities for 1999–2000 84
Funding Estimates 85

Introduction

The Nova Scotia Business Development Corporation (BDC) was established in 1992 by the Nova Scotia Business Development Corporation Act.

Mission

To encourage business development in the Province and thereby promote business growth and employment opportunities by rendering to business financial assistance or such other assistance as may be determined by the Governor in Council.

Overview of the Corporation

As at March 31, 1998, the BDC administered a portfolio consisting of over 800 accounts having a value of $234 million. This portfolio is comprised of loans, shares, guarantees, other assets, and industrial parks. In addition, the BDC administers, on behalf of Executive Council, the Industrial Expansion Fund (IEF). The Industrial Expansion Fund has a portfolio of loans, shares, guarantees, and other assets with a value of $185 million. Detailed information on the Corporation's activities is contained in the annual report, which is tabled in the Legislature.

The Corporation is directed by a 12-member Board of Directors from the Nova Scotia business community who contribute their advice and direction to the decision-making process.

The BDC has a normal staff complement of 18 situated in five locations through Nova Scotia: Halifax head office, Halifax, Kentville, Sydney, and Truro regional offices.

BDC often takes a lead position in the structuring of financial packages to encourage business development for new or expanding companies. The arrangements consist of BDC loans or other financial instruments, investor equity, funding from other government agencies, and private-sector financing. Historically, 80 per cent of the Corporation's activity has been directed to the manufacturing and processing sector outside the Metropolitan Halifax area.

The Corporation plays a major role to ensure there is a source of financing within the province for start-up business, specialized manufacturing industries, businesses in rural Nova Scotia, and companies requiring temporary financial restructuring. Due to the higher risk associated with these types of business, normal commercial financing is often not available. The BDC fills this need.

The Corporation also serves as a source of business and financial advice and expertise to the Department of Economic Development and Tourism and other government departments.

Past Performance

Year ended March 31, 1998

The most recent annual report of the Corporation was tabled for the 1997–98 fiscal period. During this period the Corporation authorized 67 projects having a total value of $50.4 million.

The financial assistance was provided to businesses in the following sectors:

Financial Assistance by Sector

Sector	Amount ($)	Percentage	Jobs
Environmental	300,000	0.59%	12
Food processing	14,397,500	28.57%	868
Information technology	4,222,695	8.37%	327
Metal fabrication	3,964,000	7.86%	137
Other manufacturing	5,025,000	9.97%	478
Other	1,770,000	3.51%	158
Pharmaceutical	900,000	1.78%	42
Tourism	2,827,000	5.60%	62
Woods, plastics	17,008,990	33.75%	940
	50,415,985	**100.00%**	**3,024**

The assistance was broadly distributed throughout the province.

Authorizations by Region

Region	Amount Approved ($)	Percentage	Jobs
Cape Breton	8,927,880	17.71%	380
Halifax County	8,487,695	16.83%	677
Northumberland	16,090,010	31.92%	822
South Shore	4,709,500	9.34%	619
Valley	12,200,900	24.20%	826
	50,415,985	**100.00%**	**3,024**

It is estimated that this financial assistance will result in the enhancement, creation and maintenance of direct employment opportunities for 3,000 Nova Scotians plus spin-off employment opportunities resulting from these direct jobs.

Performance in 1998–99

Lending activity has increased during the current fiscal year. As at December 31, 1998, the Corporation had authorized financial assistance of $54 million for 55 projects. It is estimated that this financial assistance will create 690 new direct employment opportunities and maintain and/or enhance employment for another 1,300.

The financial assistance was directed primarily to small- to medium-size enterprises in export manufacturing businesses located outside the Metropolitan Halifax area.

Priorities for 1999–2000

1. *Maintain focus on given mandate*

Based on the results achieved from its inception, it is felt that the Business Development Corporation has successfully accomplished its mandate of promoting business growth and resulting employment opportunities through the provision of appropriate financial assistance. The Corporation has enjoyed many successes, and its failures have been within acceptable limits considering the risk profile of the portfolio. We will continue to pursue current policies and practices to carry forward our success.

2. *Provide funding to sectors with potential for sustained employment growth*

As the economy changes, so do the opportunities for employment growth in new or expanding sectors. The Corporation will be alert to opportunities that may be pursued in the growing sectors of information technology, life sciences, and advanced manufacturing. However, we will continue to serve our established base of manufacturing and processing industries throughout Nova Scotia.

3. *Search for new opportunities to exploit within other government agencies*

On a number of occasions, the Corporation has formed strategic alliances with other departments and corporations to seize an opportunity that will result in significant job creation. We have worked with MT&T and ConnectioNS to attract several thousand call centre jobs to Nova Scotia; we have assisted the Department of Fisheries and Aquaculture on aquaculture projects; and we have seconded staff to the Sable Offshore Energy Project and InNOVAcorp. Our staff have contributed their energy and expertise in these joint ventures, which have resulted in significant job creation.

4. *Replenish staffing complement*

The Corporation has currently six vacant positions due to deaths and retirements. It is important that these positions be filled as quickly as possible to maintain the integrity of operations.

Funding Estimates

Capital Estimates

The amount of financial assistance provided to industry in Nova Scotia in any one year varies with the opportunities presented and needs identified. Therefore, it is difficult to specifically target capital requirements. However, based on past history and specific projects under review and evaluation, an estimate of funding requirement can be determined. Normally, the Business Development Corporation has advanced between $25 to $30 million per year and has received repayments in the $13 to $18 million range, although significant variations have occurred.

Advances in any particular year may significantly exceed repayments as funds are advanced in their entirety to fund projects, and principal repayments on these advances are received over a period of 10 to 15 years.

Statutory capital advance estimates and forecasts are outlined below:

Advances

	1998–99 Estimate (millions)	1998–99 Forecast (millions)	1999–2000 Estimate (millions)
Business Development Corporation Fund	$64.0	52.0	55.0
Industrial Expansion Fund	75.0	63.0	30.0
Total	**139.0**	**115.0**	**84.0**

Repayments

Business Development Corporation Fund	$16.0	21.1	16.0
Industrial Expansion Fund	3.0	1.0	3.0
Venture Corporation Fund	—	—	—
Total	**19.0**	**22.1**	**19.0**

The BDC estimate is based on $31 million of outstanding commitments from previous years plus an additional $24 million for new advances.

The Industrial Expansion Fund estimate is based on $16 million of outstanding commitments plus an additional $14 million for projects yet to be determined.

Operating Estimates

The salary and operating budget of the Corporation is provided by the Department of Economic Development and Tourism. Estimated operating budget for 1999–00 is $2.197 million. This budget should be sufficient to provide for the operations of the Corporation.

The information on the Business Development Corporation budget is presented below.

	Estimate 1998–99	**Forecast 1998–99**	**Estimate 1999–2000**
Salaries and benefits	1,483,000	1,144,000	1,483,000
Operating expenses	714,000	774,000	714,000
Total	**2,197,000**	**1,918,000**	**2,197,000**

Nova Scotia Crop & Livestock Insurance Commission

Business Plan 1999–2000

Contents

Introduction 91
Mission 91
Strategic Goals and Objectives 91
Core Business Functions 93
Priorities for 1999–2000 94
Human Resources 95
Technological Resources 96
Budget 97

Introduction

The Nova Scotia Crop Insurance Commission was established in 1968 to make available to Nova Scotia farmers crop insurance plans that will assist in years of reduced yields and lower revenue from losses due to insurable perils. The Nova Scotia Crop Insurance Act, which was assented to in 1968 and amended in 1978 to provide for the administration of the Livestock Insurance Program, is cited as the Crop and Livestock Insurance Act.

Crop insurance programs are an integral part of safety net programs available to producers. Premium and administration costs for crop insurance programs are cost-shared with Agriculture and Agri-Food Canada (AAFC).

Vision

The Commission strives to present effective risk-management tools for Nova Scotia's Agri-Food Business. We foresee a well-trained results-orientated team that plans together for current and future programs while continually adapting to the changing needs of our clients.

Mission

To offer effective crop and livestock insurance programs for producers of agricultural products in Nova Scotia. Programs offered will assist producers in years of reduced crop yields due to insurable perils. The programs will help stabilize the economy and improve the lifestyles of communities.

Strategic Goals and Objectives

The Commission exists to deliver agricultural insurance and risk management programs to Nova Scotia Agriculture. It has established the following goals and objectives for the coming year.

Goal I

To provide accurate and timely responses to client inquiries.

Objectives

- Process client claim inquiries so that appropriate communication/documentation is returned to clients within five business days of receipt in our offices. This standard applies to
  - – requests for information
  - – notice of crop damage
  - – claims adjustment

Goal II

To examine client needs and adapt programs to meet industry needs.

Objectives

- Review all active insurance programs.
- Communicate program changes to all insured clients.
- Research and prioritize new program alternatives.
- Develop legislative and regulatory documentation in support of commission policies.

Goal III

To examine potential safety net program and policy changes and communicate their impact on Commission and industry activities.

Objectives

- Meet with senior management of the Nova Scotia Department of Agriculture and Marketing (NSDAM) annually to review impacts on crop insurance programming.
- Participate in industry discussions surrounding safety net program development.

Goal IV

To manage and enhance Crop Insurance Fund surpluses to best serve agri-food producers in Nova Scotia.

Objectives

- Solidify protection of fund surplus with an effective reinsurance program and strategy.
- Gain approval of attached budget documentation in support of the 1999–2000 operational plan.

Goal V

To adopt technological improvements that will enhance the Commission's ability to serve its clients.

Objectives

- Replace present information architecture with a fully integrated user-friendly information management system.
- Further incorporate Global Positioning Systems as the standard of measurement.
- Improve customer inquiry turnaround time by developing new applications for hand-held computers.

Goal VI

To develop a strong team-based commitment to quality in all aspects of Commission business.

Objectives

- Ensure employee safety through continued development of Occupational Health and Safety procedures.
- Engage all Commission members and staff in professional training and development sessions.

Core Business Functions

The role of the Crop and Livestock Insurance Commission is to make available, and administer, insurance programs that will assist Nova Scotia farmers in years of reduced yield and reduced revenue. Its core business functions (and associated activities) are:

Planning and Development

- crop and revenue insurance program development
- program needs, evaluations and revisions
- program recommendations and policy development
- liaison with AAFC, NSDAM, commodity organizations

Field Services

- sales and sign-up documentation
- underwriting procedures
- renewals, cancellations
- production summary data management
- adjusting and processing claims
- client services and inquiries

- statistical reports
- claims verification and audit

Finance /Administration

- certificates of insurance (invoice)
- premium collections/indemnity payments
- budgets/estimates
- development of financial controls
- purchasing
- payroll processing
- liaison with external auditors

Priorities for 1999–2000

- Refill current computer program officer position to provide adequate technical support for Commission activities and to allow architecture development of new information system.
- Move to two full-time field agents to ensure continuity and maximum awareness of Crop Insurance programs and procedures.

Technology

- Continue development of GPS and hand-held technology applications to improve turnaround time for Commission activities and client inquiries.
- Add an additional GPS unit to increase capacity and effectiveness of GPS measurement

Programs

- Implement changes to potato plan extending coverage for field-related perils to December 21.
- Introduce, on a pilot basis, an area-based forage production plan.
- Introduce an insurance plan for raspberry production.

- Investigate options for limited producer crops (cole crops, etc.).

Administrative

- Investigate options for private re-insurance in protection of fund balances.
- Implement new premium rates and probable yield methodologies for 1999–2000 crop year.

Human Resources

The Crop and Livestock Insurance Commission consists of a six-member board appointed by the Governor-in-Council. Board members' appointments are normally for two or three years and are often renewed for a successive term(s).

Currently the staff complement includes seven full-time permanent employees. A vacant computer services officer position is a full-time term position. Part-time casual workers have been used to supplement field activities during peak seasons. The complexity of the Commission's information architecture and the pending development of a new architecture demand that the Commission's priorities include refilling the computer services officer position. In an effort to increase staff contact with clients and increase program awareness at the field level, the Commission plans to add two full-time permanent field positions. Correspondingly, casual seasonal staff requirements will decrease.

Staff training and development continue to be a priority to meet the stated goals and to continue to improve programs and services. Staff training relative to requirements of Occupational Health and Safety regulations will continue during the next fiscal year.

Technological Resources

During the past year critical hardware components were tested for year 2000 compliance. All mission-critical pieces were replaced or upgraded as required. All software was also tested and upgraded or replaced as required.

All remaining equipment, although not critical to Commission applications, will be upgraded to meet Y2K compliance.

Budget

The Commission budget is included in the budget estimates of the Nova Scotia Department of Agriculture & Marketing. The Crop Insurance Agreement with AAFC provides for reimbursement of one-half the administrative costs relative to crop insurance.

Administrative costs for other programs administered by the Commission are not eligible for this cost sharing. Premiums paid by producers and the Federal Government are not included in the budget values provided.

1997–98 Actual	**1998–99 Estimate**	**1998–99 Forecast**		**1999–2000 Estimate**
$379,500	$403,157	$372,270	Salaries & benefits	$439,161
$200,800	$199,400	$215,100	Operating costs	$161,900
$157,000	$157,000	$166,900	Grants & contributions	$161,000
$737,000	$759,557	$754,270	Gross expenditures	$762,061
$(272,000)	$(272,000)	$(303,016)	Less recoveries	$(294,520)
$465,300	$487,557	$451,254	Net expenditures	$467,541

Nova Scotia Farm Loan Board

Business Plan 1999–2000

Contents

Executive Summary 101
Purpose 102
Legislation 104
Mission 104
Strategic Goals 104
Strategic Alliances and Linkages 105
Core Business Functions 106
Performance in 1998–99 106
Priorities for 1999–2000 108
Human Resources 109
Communications 111
Information Technology 111
Budget 113
Outcome and Outcome Measures 114

Executive Summary

The Nova Scotia Farm Loan Board promotes, encourages, and supports agricultural and rural business development through the provision of long-term loans at fixed interest rates and financial counselling services. The Board is a corporation of the Crown and is an integral part of the Nova Scotia Department of Agriculture and Marketing. The Board also provides assistance to the Department of Natural Resources and other departments of government involved in rural Nova Scotia. Activities of the Board are consistent with the provincial government's priorities by providing economic opportunity, security, and the support necessary to allow for people and communities to grow.

The Board works in close harmony with the Department of Agriculture and Marketing and other partners involved in the growth of rural Nova Scotia and will continue to assist in the delivery of programs of benefit to the rural areas. In particular, the Board is involved in the administration of a five-year relief package for weather-related losses and a new entrants program to attract and support new farmers. By being involved in these initiatives the Board can capitalize on opportunities for economic growth in the agricultural sector including, but not limited to, new crop and livestock investments, new technologies including those in biotechnology, value-added activities, emerging and export markets, environmental improvements, and agri-tourism.

Rural Nova Scotia will be in greater need of stable and available credit in the years ahead. Over the past 10 years, agricultural lending has increased by approximately $105 million. It is estimated that lending will increase over the next 10 years by an additional $100 million. The Board will continue to use the investment capital available through programs to provide partnership opportunities within the financial community. The programs will assist in strengthening the rural fabric of the province.

Strategic goals for the Board will need to be constantly reviewed and updated to meet the needs of rural Nova Scotia. Our strategic goals are to:

- focus on access to stable cost-effective long-term developmental credit

- identify and analyse growth opportunities in rural industries
- promote awareness and use of financially sound business principles

Financing the growth of rural Nova Scotia can best be accomplished through the programs and services of the Nova Scotia Farm Loan Board and Timber Loan Board, partnering with other lenders. The boards have traditionally provided long-term financing at fixed, reasonable interest rates. The Board has effectively financed areas not traditionally covered by other lending agencies. Today, through its strategic goals, the Board will continue to create alliances for partnership with agricultural, forestry, and lending industries to provide the best available source of credit.

A knowledgeable and dedicated Board and staff have provided, and will continue to provide, a developmental long-term lending program that is cost-effective and helps to create opportunities for rural Nova Scotia.

The Nova Scotia Farm Loan Board is an agricultural development agency serving the needs of agriculture and forestry through the provision of long-term credit.

Purpose

The Board is Canada's oldest government agency lending exclusively to the agricultural industry. The originating legislation for the Board commenced in 1912. The Board's most active role in financing rural Nova Scotia is generally considered to have started in 1932. For more than 66 years, the Nova Scotia Farm Loan Board has served government through financing development and providing financial counselling for the agricultural industry and rural Nova Scotia. The Board further serves rural Nova Scotia through the administration of the Nova Scotia Timber Loan Board.

Five individuals who have had successful careers in agriculture and business make up the Board and govern policies and operations of the Nova Scotia Farm Loan Board and Timber Loan Board. The Board delegates the responsibilities of Nova Scotia's two primary resource development agencies to Board staff.

The Board has provided long-term loans to agriculture when no other sources of financing were available. Most of the agricultural industry, as we know it today, has been developed through financing from the Board.

A greater need for stable and available credit has been identified as an issue for the years ahead, due to:

- continued consolidation and expansion of operations
- relocation of individuals seeking rural properties
- aging population
- importance being placed on the proper stewardship of resources by the public
- development opportunities in agri-tourism
- continued development and expansion of farm-based value-added businesses
- diversification of farm operations to allow for competitiveness
- identified new opportunities
- change in government programs from direct subsidies to risk management and development programs

The Board continues to provide valuable credit services to rural Nova Scotia. The Board's current loan portfolio totals approximately $160 million, involving more than 1,279 loan and lease accounts. This funding represents approximately 85 per cent of the long-term debt and 50 per cent of the total debt of Nova Scotia farmers.

The Timber Loan Board has a portfolio of 20 accounts totalling $1.9 million. The Timber Loan Board assists in the acquisition of forested land for forest product mills. The loans extended are to ensure that forest mills have a sustainable wood supply for the future, which increases or maintains employment levels. Since 1965, when the Timber Loan Board was created, the timber industry has changed dramatically. Industry and staff of the Department of Natural Resources have identified a need for changes in regulations. During 1998–99 the Board reviewed and recommended changes in regulations for the Timber Loan Board. These are currently under review by the Department of Natural Resources. The timber industry is an important part of the Board's activity. Throughout this document references to agriculture or timber are intended to take into consideration both industries and the specific needs of each industry.

Legislation

The Board operates as a corporation of the Crown under the authority of The Agriculture and Rural Credit Act, Revised Statutes, Nova Scotia 1989, Chapter 7. This act 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 Revised Statutes of Nova Scotia, 1989, The Forest Act in Section 20 of Chapter 179. This act provides for credit to acquire forested land for forest product mills.

Mission

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

Strategic Goals

The government of Nova Scotia has challenged itself and all government departments, boards, and agencies to set their sights on greater goals for the betterment of Nova Scotia and its people.

Changes to Board regulations in 1993, 1995 and most recently in 1997, along with operational changes, have provided a catalyst for economic renewal while being socially responsible for its activity in Nova Scotia. The Board operates as a corporation of the Crown in concert with the Department of Agriculture and Marketing.

The Board's strategic goals are to assist agriculture and the forest industries to:

Goal I
Focus on access to stable cost-effective long-term developmental credit

Goal II
Identify and analyse growth opportunities for rural industries

Goal III
Promote awareness and use of financially sound business principles

Strategic Alliances and Linkages

Strategic alliances and linkages are a necessary component of the daily activity of the Board to allow for continued development in agriculture. Over the years, the Board has provided supplementary benefits through its strategic alliances and linkages. These occur primarily with the Department of Agriculture and Marketing but have also included other prominent departments and various other organizations involved in rural Nova Scotia. Some of the Board's partners include:

- Department of Natural Resources
- Department of Housing and Municipal Affairs
- Department of Finance
- Department of Justice
- Colleges and universities
- Nova Scotia Federation of Agriculture
- Nova Scotia Community Pasture Board
- Agriculture and Agri-Food Canada
- Canadian Farm Management Institute
- Farm groups
- Legal profession
- Appraisal profession
- Accounting profession

Core Business Functions

In order to carry out the mission of the Board and the Department of Agriculture and Marketing, the Board is involved in three core businesses. They are to:

- Provide financing for the development of agricultural and timber businesses
- Provide financial counselling and/or project assessments of rural operations
- Assist rural operations in sourcing the best available credit

Performance in 1998–99

The province's agriculture and food industry has changed a great deal in the past decade. The Nova Scotia Farm Loan Board has always recognized the positive benefits of change. The Board has been proactive in meeting it's client's needs while providing a range of services when and as required. By providing access to capital the Board estimates that over 800 jobs have been maintained and 400 new employment opportunities have been created in agriculture. Information compiled indicates that lending activity has created over $20 million in increased client annual cash flow, $8 million directly to construction-related materials, plus $4 million to construction industry labour.

The following initiatives were undertaken under the specified goals in 1998–99.

Goal:
Focus on access to stable cost-effective long-term developmental credit:

- Provided counsel to 1,279 clients and for over 300 new applications and projects
- Refined new regulations in concert with the Department of Agriculture and Marketing and the Department of Finance.
- Extended approximately $30 million in loans to the agriculture and forestry industry for over 159 clients.
- Restructured over 300 loans affecting over $47 million of restructured loans and resulting in savings to clients of over $310,000 annually.

- Investigated providing loan guarantees to private sector lenders
- Conducted a needs assessment to refine the Board's computerized loan administration and accounting systems.
- Enhanced administrative services through the use of new technology.
- Enhanced operational procedures through the incorporation of communication, quality, and service teams.

Goal:
Identify and analyse growth opportunities for the agricultural industry:

- Reviewed and analysed over 300 applications and projects.
- Investigated loan guarantee programs for private sector lenders.
- Financed new opportunities in agri-tourism and value-added production.
- Incorporated electronic mapping systems to improve farm identification and location data.
- Reviewed and forwarded recommendations for regulation changes for the Timber Loan Board.
- Assisted in the review and development of recommendations for a New Entrance Program with the Department of Agriculture and Marketing and the Nova Scotia Federation of Agriculture.

Goal:
Promote awareness and use of financially sound business principles:

- Assisted 18 farmers under the Establishment of Young Farmers Program at a cost of $102,500.
- Provided counsel to approximately 1,279 clients and for over 300 new applications and projects.
- Provided educational material and lectures to industry, universities, and other sectors of government.
- Provided financial extension information for the agricultural community and the Nova Scotia Department of Agriculture and Marketing.
- Strengthened strategic alliances with all stakeholders in agriculture to foster future improvements.
- Administered the 1997 Weather Related Loss Provision Program on behalf of the Department of Agriculture and Marketing.

- Assisted with the development and implementation of a $20-million, 1998 Weather Related Loss Provision Program in concert with the Department of Agriculture and Marketing and the Nova Scotia Federation of Agriculture.
- Assisted in the review and development of recommendations for a New Entrance Program with the Department of Agriculture and Marketing and the Nova Scotia Federation of Agriculture.

Priorities for 1999–2000

In keeping with strategic goals outlined for the Board, Department of Agriculture and Marketing, and government, the following represents the Board's planned actions for 1999–2000.

Goal:

Focus on access to stable cost-effective long-term developmental credit:

- Continue to counsel clients and assess new proposals by applicants.
- Provide $35 M of lending capital to the agricultural and timber industries
- Upon acceptance of a recommended amendment for the Timber Loan Board regulations, communicate and implement new regulations.
- Partner with the Farm Improvement and Marketing Cooperative Loans Act (FIMCLA) to provide greater service to clients through loan guarantees.
- Continue to refine the loan approval process.
- Continue to enhance administration services through the use of new technology.
- Assist the Department of Agriculture and Marketing through a team approach, in any way possible, to provide province-wide program delivery.
- Continue to blend the land lease programs into the loan program.
- Establish, in concert with the Nova Scotia Department of Agriculture and Marketing, a program that targets new entrants to attract and support new farmers.
- Encourage farmers to utilize sound environmental and business planning practices and procedures; possible programs will be reviewed.
- Seek authorization for increased lending limits for the Board.

Goal:

Identify and analyse growth opportunities for the agriculture industry:

- Continue to review and analyse applications and projects.
- Further review the potential for expansion of industry sectors.
- Assist in identifying the specific sectoral needs for credit and work with the Department of Agriculture and Marketing and the Department of Natural Resources to implement the appropriate initiatives.

Goal:

Promote awareness and use of financially sound business principles:

- Continue to counsel existing and new clients.
- Continue to participate with industry, government departments, and other lenders to improve business and financial information
- Develop, in concert with the Department of Agriculture and Marketing and the Nova Scotia Federation of Agriculture, a New Entrants Program.
- Investigate various options to reduce risk for beginning farmers.
- Participate in transition management teams with the Department of Agriculture and Marketing and the Canadian Farm Management Council.
- Explore the possibilities of an Environmental Lending Program and/or Business Planning Program in concert with the Department of Agriculture and Marketing and the Nova Scotia Federation of Agriculture.

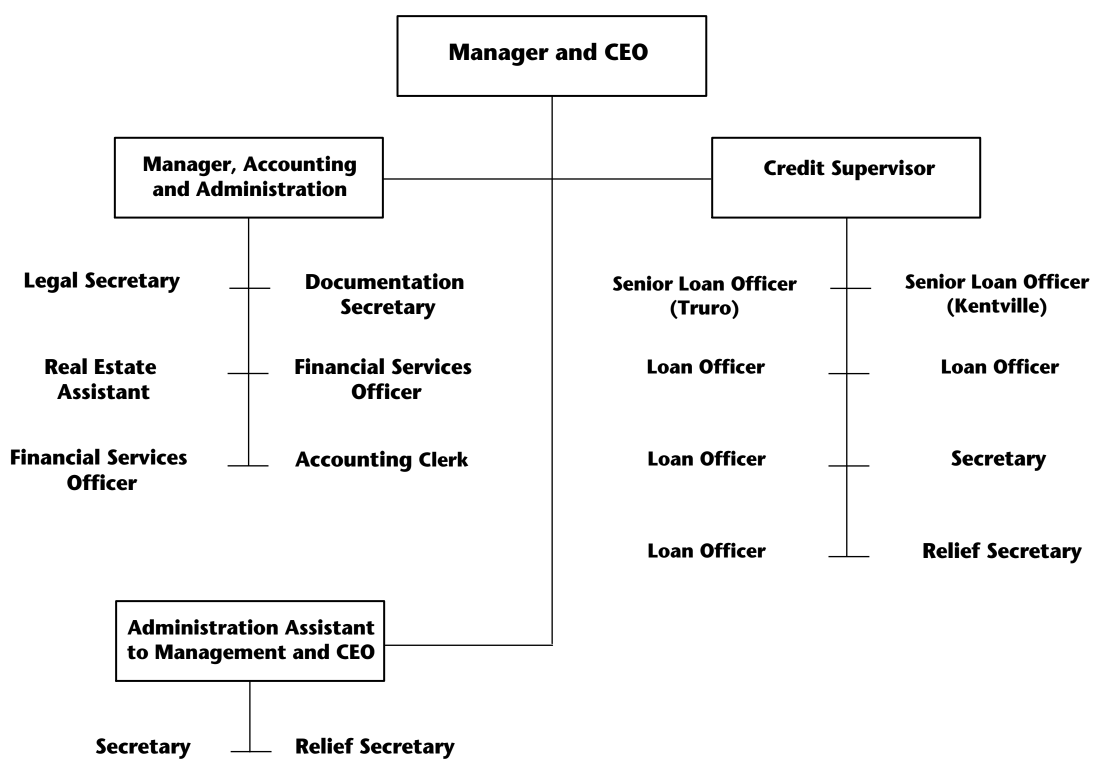
Human Resources

The Board is responsible to the Minister of Agriculture and Marketing. Staff report to the Board and to the Deputy Minister of the Department of Agriculture and Marketing through the Manager (Chief Executive Officer). This allows the Board to operate in harmony with the appropriate departments in order to achieve its mandate.

Having a well-trained, highly motivated staff is critical to achieving business plan priorities. Staff in recent years have faced rapid changes in industry, parallel changes in the department with new priorities and changing job roles, and the challenge to work differently. The Human Resources Corporate Services Unit will provide a leadership role in assisting the Board in the human resource planning process, as well as implementing government human resource policies.

Staffing needs of the Board are outlined in the following organizational chart. Casual position priorities are being established and are under review.

Organizational Chart



Communications

The Board will continue to provide input for rural publications in order to advise its clientele of the Board's policies and programs. To ensure this information is available province-wide, the Board will communicate through electronic means and articles in rural publications. A website is continually updated as the Board's policies and procedures dictate.

Statistical information is continually reviewed as it relates to lending activity. The review provides a basis for future policy formulation. Surveys are currently being received from our clients. Applications and survey information being submitted include the following information:

- industry or sector in which funds will be utilized
- incomes to be realized as a result of lending activity
- economic impact as a result of lending
- number of direct jobs realized from the project
- satisfaction with services provided by the Board

Through its activities, the Board communicates the Department of Agriculture and Marketing's key messages of supporting and developing the long-term economic potential in rural Nova Scotia.

To properly determine whether the Board is cost-effective, systems are in place to track activities so that the Board can review its mandate and communicate its future direction for an ever-changing industry.

Information Technology

The Board, as a loans service provider, partners with many other financial lending institutions. In order to be successful, the Board must provide its clients with a level of service that meets or exceeds that of other lending institutions. The key service advantage of the Board is its ability to be flexible and to provide financial counselling to our clients and the lending partners involved to make the operation successful. Basic client services must keep up with industry standards in order to assist in the success of the individuals involved. The Board also requires the flexibility to adapt to new business practices as required through implementation of new funding programs or industry changes.

The current business processes used by the Board to manage loans are primarily paper-driven, with many steps involving many people. This is particularly evident in the loan application process.

Current automation of the Board process consists of a single-user PC-based accounting and loan management system (BOSS), spreadsheets used as forms (for calculations), a loan management application (Trakker), a fire insurance application, a life insurance application, and a loss provision (LossPro) management program. Some of the existing applications function as a stand-alone system with restricted integration and data sharing.

The accounting system requires data integrity support and flexible to conform to current business practices and processes of the Board. Currently, calculations and reports are not available from the existing systems, and some functions must be performed manually.

A needs assessment has identified new system requirements. An Integrated Loan Management System (ILMS) to replace existing stand-alone system components, provide automation of manual processes, and serve as a tool for streamlining of business processes is being investigated. Proposed funding for system improvements will be accessed through reserve accounts of the Board.

The Board is evaluating potential vendors for a new system. Once the evaluations are completed and a compliant vendor is identified, the Board can move forward with the implementation of an integrated system that will meet its business requirements. This will enable the Board to be more efficient and flexible with client services.

Budget

Nova Scotia Farm Loan Board Budget Recognizing Net Interest Allocation

In keeping with the government's ongoing commitment to achieve a balanced budget, the Board, in previous regulation reviews, has moved to a matched funding loan program that would allow cost recovery. The Board tracks the cost and revenues related to interest on loans established after July 1, 1997. The revenue expense projections related to the new regulations are as follows:

1997–98 Actual	1997–98 Forecast	Object Estimate	1999–2000
$1,656,166	$7,765,000	Interest revenues*	$8,900,000
-$994,416	-$6,500,000	Interest cost*	-$7,000,000
$661,416	$1,673,000	Net interest* revenue	$1,900,000
-$541,896	-$713,800	Salaries and benefits	-$895,000
-$156,768	-$188,600	Operating costs	-$205,000
-$363,964	-$401,000	Bad debt expense	-$400,000
$247,862	$180,000	Less fees and recoveries	$180,000
-$153,350	$549,000	Net board revenue, excluding programs**	$580,000

Note:

Insurance reserve increases estimated at $250,000/year are not included.

* Indicates interest revenue and costs generated under new regulations implemented on July 1, 1997. Interest costs as established under MOU with the Department of Finance and are provided for reporting purposes only.

Interest cost and revenue funded by the Department of Finance prior to July 1, 1997 are not included.

** Does not include the Department of Agriculture and Marketing, $220,000 Establishment of Young Farmers Program administered by the Board or a special appropriation of $4 million for 1997 and $20 million (over 5 years) for a 1998 Weather Related Loss Provision Program administered by the Board and approved by Cabinet.

Outcomes And Outcome Measures

The following are outcome measures for the Board for fiscal 1999–2000.

Strategic Goal ▶ *Focus on access to stable cost-effective long-term developmental credit*

Outcome	Indicator	Measure
• Stable agriculture and forest industry	• Registered farms in Nova Scotia • Farm income levels	• Maintenance of farm operations • Increase of farm income levels • Percentage of write-offs on loan portfolios
• The maintenance and creation of jobs in rural Nova Scotia	• Jobs maintained or created from lending activity	• Return of client survey indicating jobs maintained and/or growth
• Development of agricultural operatons	• Lending activity • New farmers entering and staying in the agricultural businesses	• Lending activity • New Entrants Applications
• Targeted new entrances into rural businesses	• Lending activity • New farmers entering and staying in the agricultural businesses	• Lending activity • New Entrants Applications
• Improved lending programs for the agricultural and forestry industry	• Utilization of lending programs • Surveys of client satisfaction	• Lending activity • Uptake by client of new revised lending programs • Client level of satisfaction

Strategic Goal ▶ *Identify and analyse growth opportunities for agricultural industries*

Outcome	Indicator	Measure
• Lending opportunities	• Lending activity by area and sector	• Dollars loaned over previous years • Number of loans approved by area and commodity
• Lending activity occurs in targeted sectors	• Lending activity by area and sector	• New agricultural industries' start-ups • Number of loans approved by area and commodity

Strategic Goal ▶ *Promoting awareness and use of financially sound business principles*

Outcome	Indicator	Measure
• Successful agri-business operations	• Applications for credit indicating improved business skills • Successful pay-out of loan accounts • New farmers in agri-business • Arrears	• Clients eligible under a New Farmers Program • Percentage of arrears • Accounts successfully paid out for sound financial business reasons
• Heightened awareness of financial management skills	• Applications for credit indicating improved business skills • Beginning farmers in agri-business	• Number of clients eligible under a Beginning Farmers Program • Clients starting new ventures • Accounts successfully paid out for sound financial business reasons

The overall outcome of the Board's activity for 1999–2000 is intended to meet the needs of the Board and the Department of Agriculture and Marketing and other departments. These goals will allow the Board to fulfill its mission to promote, encourage, and support the development of agriculture and forestry industries in Nova Scotia.

Nova Scotia Film Development Corporation

Business Plan 1999–2000

Contents

Mission 119
Strategic Goals 119
Core Business Functions 119
Performance in 1998–99 120
Priorities for 1999–2000 121
Human Resources 122
Communications 122
Information Technology 123
Budget 123

Mission

To grow the film and video industry in Nova Scotia by stimulating investment and employment, and by promoting Nova Scotia's locations, skills and creativity in global markets.

Strategic Goals

Goal I

To promote Nova Scotia nationally and internationally as an ideal business opportunity and location for film, video, and new media productions.

Goal II

To promote within the Nova Scotia artistic and business communities the opportunities in an expanding film and video industry.

Core Business Functions

Program Funding

The Corporation provides funding for film production in the form of contributions, loans and equity investments. Contributions are also made to industry training, marketing and events.

Tax Credit Administration

The Corporation administrates the Nova Scotia Film Tax Credit, a fully refundable corporate income tax credit.

Information Services

(Consultation, Location Services and Resource Inventory)

The Corporation provides education and consultation on various issues regarding film production and financing in Nova Scotia. Industry statistics, trends and developments are tracked and reported.

Performance in 1998–99

- Commitment of $2.9 million to 93 film projects.
- Invested in projects with an estimated value of $100 million in production in Nova Scotia.
- Assisted in developing a projected $15 million in service productions.
- Assisted projects including The Hanging Garden, which won the Best Canadian Feature at the Toronto Film Festival, Love and Death on Long Island, which won Best New Director at the Cannes Film Festival, and Gemini award winners Nan's Taxi, Theodore Tugboat, and This Hour Has 22 Minutes.
- Implemented improvements to guidelines and criteria for program applications
- Estimated registering 39 projects for over $7.7 million in tax credits.
- Established $800,000 Film Industry Training Assistance Program in partnership with the industry.
- Provided $40,000 assistance to the Atlantic Film Festival, $33,500 for the Centre for Art Tapes, and $16,000 for the Atlantic Filmmakers Co-operative, and $40,000 for the Moving Images Group.
- Facilitated the first Film Familiarization Tour for Los Angeles–based producers.
- Facilitated the first export trade mission for local export-ready producers to Berlin, Germany.
- Signed the first region-to-region cooperation agreement with the Filmboard Berlin-Brandenburg to establish a strategic partnership to increase co-production.
- Participated in and hosted industry events that brought together stakeholder groups to discuss direction and developments in the Nova Scotian, Atlantic, and Canadian film industries.
- Facilitated a feasibility study on establishing a film school in Nova Scotia.

Priorities for 1999–2000

- Increase to 2000, the number of Nova Scotians employed in filmmaking.
- Facilitate the renewal of the existing Film Industry Tax Credit to 2004 to ensure stable financing of indigenous film and television projects.
- Strategically invest in Nova Scotia productions that will increase industry value to $120 million.
- Maintain the amount spent on service productions in Nova Scotia at an appropriate level to facilitate recognition of Nova Scotia as a film location, attract projects for the regions, and develop opportunities to enhance crew expertise.
- Increase the recouping of investment in films and videos produced in Nova Scotia to an appropriate level annually.
- Create opportunities for Nova Scotia producers to access key export markets internationally to increase co-productions including UK, Germany, Scandinavia, and the USA, facilitating through organizations comparable to NSFDC.
- Maintain regular dialogue with Canadian broadcasters Baton, CBC, and Global to facilitate new broadcast licenses.
- Invest in training to develop film crew expertise and increase to five the number of qualified crews available for production.
- Aid in the establishment of infrastructure to maintain a leading market position, including a film school, film lab, and animation facility.
- Provide employers in the industry with the best and most up-to-date government partnership tools available by monitoring trends and development in the Canadian and international film industries.
- Integrate Nova Scotian film production with other successful sectors of the Nova Scotian entertainment industry and create synergy by providing useful programs and services to Nova Scotia's vital new media industry.
- Establish an effective interprovincial lobby to improve Nova Scotia's share of national film and video production funding.
- Encourage public/private partnership opportunities to benefit Nova Scotian producers' access to additional private sector funds.

Human Resources

The Corporation's permanent staff is made up of a CEO, director of marketing, director of finance, program administrator, and secretary/receptionist.

Communications

Key Message

The Nova Scotia film industry is a high-growth, labour-intensive, environmentally friendly modern service/manufacturing industry.

Role of the Corporation

The Corporation is uniquely qualified and positioned to provide stable support to develop employment and investment in the Nova Scotia Film industry. The Board of Directors of the Corporation meets annually to review the Corporation's strategy.

Growth and Strategic Advantage Message

Nova Scotia's film industry grew over 95 per cent last year, and at a rate of 100 per cent per year for the two previous years. Nova Scotia's natural and production resources combined with its wealthy talent pool have provided a strategic advantage and allowed our film production community to grow exponentially on a per capita basis.

Employment Opportunities

By working with producers who are the employers in the industry, the Corporation has been able to draw a large amount of investment to the province, which creates direct jobs in the film industry as well as spin-off benefits. The Corporation is also directly involved with development of training and professional development projects and the Nova Scotia Film Industry Tax Credit, all of which work to create meaningful long-term jobs for Nova Scotians.

Spin-off Benefits

A typical film production budget is nearly 50% salaries and wages. This means that money is earned and spent directly in the province, which creates high indirect and induced spending as well as enhanced tax revenues for the province.

The media attention generated by the film industry and the film locations themselves enhance the promotion of marketing and tourism for the province.

Distribution Media

The Nova Scotia Film Development Corporation will promote its initiatives and successes through the following media:

- national and international trade events
- advertising and promotion (including familiarization tours)
- Internet website
- annual production resource guide
- annual report
- newspaper and magazine articles

Information Technology

The Corporation currently operates an independent local area network consisting of IBM-compatible machines and a stand-alone Power Mac used to develop the annual production guide. The principal uses are word processing, finance and accounting, business spreadsheets, and presentations. All computers have been tested for Year 2000 compliance. Further network improvements including updated software have been implemented. An Internet website is updated quarterly and provides links to the international film industry including the Filmboard Berlin-Brandenburg, clients, and government.

Budget

Attached is a brief summary budget.

The budget reflects requirements for sustained investment in an industry that has grown from $7 million to $92.5 million in eight years.

NSFDC Preliminary Budgets April 1999–March 2000

	Industry Growth	Maintain
Contributions		
Nova Scotia government	$7,620,000	$3,100,000
Recovery equity investments	$200,000	$200,000
Interest income	$60,000	$25,000
	$7,880,000	**$3,325,000**
Disbursements		
Programming	$7,350,000	$2,844,000
Administrative	a $375,000	c $351,000
Advertising/marketing	b $155,000	d $130,000
	$7,880,000	**$3,325,000**
Administrative Expenses:		
Salaries and Benefits		
CEO	$69,000	$65,000
Director finance	$56,000	$54,000
Program administrator	$41,000	$38,000
Secretary/receptionist	$26,000	$24,000
Program assistant	$25,000	$25,000
Contract labour	$5,000	$5,000
Employee benefits	$42,000	$38,000
	$264,000	$249,000
Services and supplies		
Telephone/fax	$16,000	$12,000
Staff training	$4,000	$4,000
Bank charges	$2,000	$1,500
Consultants (recoup't,strategic)	$6,000	$2,000
Courier	$4,000	$5,000
Dues *and* fees	$4,000	$3,500
Insurance	$1,500	$1,500
Conferences *and* marketing	$4,000	$4,000
Board	$40,000	$40,000
Repairs	$4,000	$4,000
Capital equipment	$4,000	$4,000
Office	$15,000	$15,000
Postage	$6,000	$5,000
Miscellaneous	$500	$500
	$111,000	$102,000
Total administrative	a $375,000	c $351,000

NSFDC Preliminary Budgets April 1999–March 2000
(continued)

	Industry Growth	Maintain
Advertising/Marketing Expenses		
Business travel	$60,000	$40,000
Marketing manager	$41,000	$38,000
Advertising	$20,000	$18,000
Familiarization tour	$15,000	$15,000
Annual report	$7,000	$7,000
Location scout	$7,000	$7,000
Photos *and* location services	$5,000	$5,000
	B $155,000	**D $130,000**

Nova Scotia Fisheries And Aquaculture Loan Board

Business Plan 1999–2000

Contents

Introduction 129
Mission 130
Strategic Goals 130
Core Business Functions 130
Performance in 1998–99 131
Priorities for 1999–2000 132
Human Resources 132
Communications 132
Information Technology 132
Budget 133
Outcomes and Outcome Measures 134

Introduction

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 $500 million and a market value of approximately $800 million, and our aquaculture and recreational fishery sectors generate $93 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 in areas of provincial jurisdiction or in the federally administered marine fisheries, 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. Our fishery is more than a way of life, it is a successful business. We must strive to keep it productive and internationally competitive.

The Nova Scotia Fisheries and Aquaculture Loan Board has served the province and the fishing industry by providing development funding since 1936. The Board operates under the authority of the Fisheries and Coastal Resources Act. This act, by its name, emphasizes the coastal community development focus of the Board's operations.

Financing the growth of the coastal communities in Nova Scotia can best be accomplished, in continued cooperation with other lenders, through the program and services of the Nova Scotia Fisheries and Aquaculture Loan Board. Through this Board the Nova Scotia government will ensure it has a cost-effective, positive, focused, and beneficial influence on the development of the fishing and aquacultural industries and of coastal Nova Scotia.

Mission

To serve, develop and optimize the harvesting segment of the Nova Scotia fishing and aquaculture industries, for the betterment of our coastal communities and the province as a whole.

Strategic Goals

Goal I
Protect the interests of Nova Scotia as policies are developed for the management of the commercial fishery in Nova Scotia.

Goal II
Increase production and market value from the aquaculture industry in Nova Scotia.

Goal III
Assist in the development of commercial fisheries that target non-traditional species.

Goal IV
Optimize the productivity and competitive-ness of the boatbuilding and harvesting sector in coastal communities.

Goal V
Ensure compliance with provincial acts and regulations.

Goal VI
Replace the older vessels in the fleet with modern, efficient boats or upgrade these older vessels to meet today's safety standards.

Goal VII
Ensure compliance with federal acts and regulations as they relate to fisheries management.

Core Business Functions

- Representing the Nova Scotia Fishing industry at all levels of management consultations such as the Canadian Marine Advisory Council.
- Assisting with the development of new fisheries that target non-traditional species to enhance the harvesting sector.
- Administering loans issued through the Nova Scotia Fisheries and Aquaculture Loan Board.
- Enforcing the Fisheries & Coastal Resources Act and regulations.

- Providing technical and extension support for the commercial, aquaculture, and boat building sectors of our fishing industry.
- Inspecting vessels under construction and all other vessels financed by the Board to ensure the security of the loan portfolio—estimated asset value $100–$125 million.

Performance in 1998–99

- The Loan Board administered lending programs for aquaculture, which were transferred from the Economic Renewal Agency two years ago.
- The Board has responsibility for the working capital loan guarantee program. This five-year, $10-million program to assist aquaculturists with their working capital requirements is administered with the chartered banks.
- Funding was provided for vessels to engage in the harvesting of non-traditional species such as sea urchins, rock crabs, billfish, and inshore shrimp.
- Initiatives to support coastal communities included the funding of commercial aquaculture operations and work with boatbuilders to encourage the construction of world-class fishing vessels and Board policies that support this sector.
- A new regulation package for the Loan Board was approved.
- Loans administered through the Loan Board were well serviced by clients in the fishing and aquaculture sectors. Low delinquency levels and few customer complaints demonstrate successful lending practices.
- The Order-in-Council limit for loan approvals was increased to $500,000 net.
- The Groundfish Loan Deferment Program was extended until March 31, 1999, which eases the hardships being suffered by groundfishers as a result of quota reductions and area closures.
- A single interest rate structure for all loans was implemented.
- User fees were implemented to generate revenue for the division.
- The lending budget was fully utilized by the fishing and aquaculture sectors.
- A new borrowing system, which increases the Loan Board's profit margin, was established with the Department of Finance.

Priorities for 1999–2000

- To facilitate the replacement and upgrading of older vessels in each fleet.
- To continue Loan Board collection activities on a consistent basis with fair and equitable treatment for each customer.
- To have additional Loan Board members appointed to the Loan Board Committee.
- To minimize write-offs by utilizing wise credit practices when approving or recommending loans.
- To serve the fishing industry by effectively carrying out divisional core functions.
- To obtain some of the profit generated by the loan portfolio from the Department of Finance.
- Expansion of the lending program to Nova Scotia aquaculturists.
- To have the Loan Board's lending budget increased from $11.0 million to $15.0 million.

Human Resources

No major Human Resource initiatives are planned in the fiscal year 1999–2000. During the last five/six years the Loan Board staff have been reduced from 18 to 9 full-time positions, and any further staff reductions would seriously effect the delivery of Loan Board services to the fishing industry. The Board requires the services of an additional loan officer, and this problem will be reviewed during this fiscal year.

Communications

No major initiatives in this area are planned for the 1999–2000 fiscal year.

Information Technology

All nine staff members have computers, and three are connected directly to the Department of Finance. As a result of the Y2K problem the Board will be obtaining one new computer and upgrading the remaining eight computers. The Loan Board has set up a homepage on the Department of Fisheries and Aquaculture website.

Budget

The Fisheries and Aquaculture Loan Board budget is incorporated with the Department's budget each year. The Loan Board participates in government's and the department's financial management and accountability initiatives. The operating budget for the 1998–99 fiscal year is $482,000, and the lending budget for the Loan Board is determined by government early in each fiscal year; the amount for 1998–99 was $11,000,000 net.

1997–98 Actual	**1998–99 Forecast**	**Object**	**1999–2000 Estimate**
458,132	424,000	Salaries & benefits	424,000
102,985	94,700	Operating costs	94,700
nil	nil	Grants & contributions	nil
561,117	518,700	Gross expenditures	518,700
64,333	36,700	Less: fees & recoveries	40,000
496,784	482,000	Net expenditures	478,700

For the fiscal year 1997–98 principal repayments totalled $9,063,684 and interest payments totalled $3,332,056.

Outcomes and Outcome Measures

- Full utilization of the Loan Board lending budget, which demonstrates that the demand for our service exists—gross loans 1997–98 were $10,916,132.
- The maintaining of approximately 8900 direct and indirect jobs in the province's coastal communities.
- Low delinquency rates.
- Few customer complaints
- Low write-offs and low reserve for bad and doubtful accounts.
- The financing of young fishers and young aquaculturists who are the future in an ever-changing industry.
- Consistently high interest revenues.
- Offshore demand for Nova Scotia–built boats due to quality construction as a result of vessel inspections.
- 40 new fishing vessels were financed by the Board during the 1997–98 fiscal year.

Nova Scotia Gaming Corporation

Business Plan 1999–2000

Contents

Introduction 137
Corporate Overview 137
Corporate Mission 145
1998–99 in Review 145
1999–2000 Goals and Programs 154
Financial Highlights 161
Repatriation Project Overview 171

Introduction

Background

Nova Scotia Gaming Corporation (NSGC) was established in 1995 with the exclusive mandate to conduct and manage the province's gaming activities. The day-to-day operations of these gaming activities are carried out by its operators, the Atlantic Lottery Corporation (ALC) and the Metropolitan Entertainment Group (MEG). NSGC reviews and approves the annual business plans and related budgets of its operators and monitors their performance throughout the year according to these plans and budgets. Key elements of the operators' business plans are incorporated in NSGC's annual business plans.

Through the business planning process, NSGC defines, among other things, its priorities for the year. With increasing complexity in its existing businesses and the potential to expand gaming revenues in new business areas, NSGC initiated the development of a formal strategic plan, which will guide the annual business planning process over the next five years.

Objectives of the Business Plan

The objectives of the 1999–2000 Business Plan are:

- To serve as a blueprint for NSGC's activities during fiscal 1999–2000 as the first step in a five-year strategic plan.
- To define specific goals that will be used by the Corporation and its stakeholders to measure its performance.

Business Plan Period

This Business Plan is for the fiscal year April 1, 1999 to March 31, 2000.

Corporate Overview

Corporate Mandate

Gaming was legalized in 1976 in Nova Scotia with the introduction of lottery tickets. In 1991, Video Lottery gaming was also legalized in the province. With the establishment of casinos in 1995, the Nova Scotia gaming regime was modernized through the introduction of the

Gaming Control Act. This Act separated the business of gaming from the regulation, study, and evaluation of gaming. This was achieved through the creation of the Nova Scotia Alcohol and Gaming Authority (NSAGA) for the regulation, study, and evaluation of gaming, and the Nova Scotia Gaming Corporation (NSGC) for the conduct and management of the business of gaming.

NSGC's objectives are defined in the *Gaming Control Act* as follows:

- Develop, undertake, organize, conduct, and manage casinos and other lottery schemes.
- Provide for the operation of casinos and any business that the Corporation considers reasonably related to operating a casino.
- Ensure that lottery schemes conducted and managed by the Corporation are conducted and managed in accordance with the *Criminal Code of Canada* and the *Gaming Control Act* and the *Regulations*.
- Do such other things in respect of lottery schemes, as the Minister of Finance or the Governor in Council may from time to time require.

NSGC currently delegates the day-to-day operations to its operators, ALC and MEG, but exercises its conduct and management mandate as follows:

- Develops policy and strategic directions for gaming activities in Nova Scotia.
- Reviews and approves annual business plans and budgets for its operators.
- Manages performance of its operators against annual plans and budgets.
- Ensures compliance with operating contracts, the *Criminal Code of Canada*, the *Gaming Control Act*, and the *Regulations*.

Business Overview

Introduction

NSGC currently conducts and manages the following gaming activities:

- Traditional (Ticket) Lotteries
- Video Lotteries
- Casinos

The day-to-day operations of the Traditional and Video Lottery programs of NSGC are carried out by its operator, Atlantic Lottery Corporation (ALC). ALC also operates the same programs for the other three Atlantic provinces. ALC was incorporated in 1976 under the *Canada Business Corporations Act* and is equally owned by NSGC and the three other Atlantic provinces or their agents.

The casinos in Halifax and Sydney are operated by Metropolitan Entertainment Group (MEG), a partnership between Starwood Canada Corp. (formerly ITT Sheraton Canada Ltd.) and Purdy's Wharf Development Limited.

Additionally, NSGC, through the Nova Scotia Harness Racing Incorporated (NSHRI), is involved in the marketing and promotion of harness racing through the ALC Harness Racing Incorporated (ALCHRC).

The province's involvement in harness racing began in 1998 at the request of the Council of Maritime Premiers. NSHRI has appointed ALCHRC as its agent to market and promote harness racing at the three racetracks in Nova Scotia.

Traditional (Ticket) Lottery

Products

Through ALC and the Interprovincial Lottery Corporation (ILC), NSGC offers a variety of Traditional Lottery games to the public in Nova Scotia. Table 1 provides an overview of these games, and Table 2 depicts the distribution of gross 1997–98 sales by game type in Nova Scotia.

Table 1
Current Games

Game Type	Games	Description
National Games	Lotto 6/49	A $1 national lottery game that offers jackpots of $1 million or more.
	Super/7	A $2 national lottery game that offers jackpots of no less than $2.5 million.
Regional Games	Pik 4	A mini-Keno game using Lotto 6/49 winning numbers.
	Atlantic Choice	A Keno game drawn three times a week.
	TAG	A $100,000 spiel game played in conjunction with Lotto 6/49, Super 7 or Pik 4.
Instant Tickets	Various games	Scratch 'n Win tickets that let a player know instantly whether it is a win and what the prize is. All instant ticket wins are validated on-line.
Breakopen	Various games	Similar to Instant Tickets, but no on-line validation is required.
Sport Select	Pro-line	Player predicts the outcomes of professional sporting events.

Table 2
1997–98 Gross Sales Distribution by Game Type

	Sales ($m)	% of Total Sales
National Games	68.9	38.1%
Regional Games	17.0	9.4%
Instant Tickets	67.9	37.5%
Breakopen	21.8	12.0%
Sport Select	5.4	3.0%
Total	181.0	100.0%

Distribution Channels

NSGC's full range of gaming products are offered to the public in Nova Scotia through approximately 1,200 lottery retailers, each with a single on-line lottery terminal. In addition, there are about 300 retailers selling only breakopen tickets.

The retailers are directly serviced by an ALC sales staff of 30 and a technical service staff of four, all located in Nova Scotia.

Lotto 6/49 tickets may also be purchased through LottoExpress, a subscription service with a predetermined draw plan (either 24, 52, or 104 draws) and a set of selected numbers for the entire draw plan.

In addition to selling lottery tickets, lottery retailers may also redeem prizes up to $250. Larger cash prizes up to and including $10,000 may be claimed at any Bank of Nova Scotia branch located in the Atlantic Region or through the ALC prize office in Moncton. All prizes of more than $10,000 must be claimed through ALC's prize office.

Video Lottery

Products

The Video Lottery games are contained in individual Video Lottery terminals (VLTs), and vary by manufacturer and model of VLT.

NSGC, through ALC, operates approximately 3,200 VLTs in the province. The VLTs are in operation 17 hours per day, seven days a week.

The current product mix is as follows:

Manufacturer & Model	Number of VLTs	Age
Spielo LEL	2,450	7 years old
VLC	50	7 years old
IGT	400	5 years old
Spielo BB101	300	2-3 years old
Total	**3,200**	

With few exceptions, the payout on these products ranges from 90 per cent to 95 per cent of the amount played. The four most popular games are Swinging Bells, Aces Fever, Double Bonus, and Super 8 Line, and they all have a payout of 95 per cent.

NSGC also supplies, through ALC, approximately 400 VLTs to nine of the 10 First Nations bands that have entered into gaming agreements with the Province of Nova Scotia. ALC supplies the VLTs to seven bands pursuant to a flat administration fee of $56 per VLT per week. Two bands continue to operate under earlier agreements that charged an administration fee based on a percentage of revenue.

Distribution Channels

NSGC's Video Lottery products are offered to players through a Video Lottery retailer network of approximately 600 liquor licensed premises, including profit and not-for-profit organizations. Video Lottery play is restricted to adults only.

Casinos

NSGC conducts and manages two casinos in the province: Sheraton Halifax Casino and Sheraton Sydney Casino. The day-to-day operations of both casinos are carried out by NSGC's operator, MEG.

The Operating Contract with MEG is for a 20-year term ending on December 31, 2015, and provides MEG with the exclusive right to operate the Halifax and Sydney casinos as an agent of NSGC. The contract also provides NSGC with a guarantee, which ensures that the Total Provincial Revenue in each of the first four years ending July 31, 1999 will not be less than $25 million. Credited towards this amount are a 20 per cent win tax paid directly to the province, the registration fee of $100,000 paid to NSAGA, and NSGC net operating income from casinos.

The Halifax Casino is housed in an interim facility on the waterfront within the Sheraton Halifax Hotel. It occupies 35,201 dedicated square feet with an additional 13,905 square feet of shared space. Approximately 18,000 square feet is dedicated to gaming. It currently operates 30 tables offering a variety of games including Blackjack, Roulette, Let-it-Ride Poker, Mini Baccarat, Baccarat, and Big Six. There are 565 slot machines in denominations of $0.25, $1, $2, $5, $25, and $100.

Construction began on the permanent Halifax Casino in February 1998 and is required under the Construction Contract to be completed by September 15, 1999. Following a three-month suspension of construction from July to October 1998, MEG anticipates that construction will now be completed in January 2000. An amount of $10,000 per day is payable by MEG to NSGC from September 15, 1999 to the Completion Date. Once completed, the permanent Halifax Casino will be approximately 130,000 square feet of total building area and include 33,000 square feet of dedicated gaming area, housing 40 tables and 790 slot machines.

The Halifax Casino employs approximately 460 persons at its interim facilities. Upon completion of the permanent casino, the number of employees is expected to increase to 750–780.

The Sydney Casino, located on the island of Cape Breton, is a permanent facility with a sports theme and a relaxed atmosphere reflecting its location adjacent to Centre 200 sports arena. It occupies approximately 41,900 square feet, 15,384 of which are dedicated to casino gaming. The facility is self-sufficient and includes a 104-seat restaurant and 83-seat lounge with a stage suitable for live entertainment.

The Sydney casino operates 14 tables offering Blackjack, Roulette, Let-it-Ride Poker, and Poker. There are 350 slot machines in denominations of $0.25, $1, $2, $5, and $25.

The Sydney Casino employs a total of 240 persons.

The Halifax Casino operates 24 hours a day, seven days a week. The Sydney Casino operates 24 hours a day on Fridays and Saturdays and from noon to 4 am Sundays through Thursdays. Both casinos are closed on Good Friday, Easter Sunday, Remembrance Day, and Christmas Day.

Harness Racing

Harness racing in Nova Scotia consists of both live races at racetracks and harness races simulcast from racetracks in and outside of the Maritime provinces. There are three racetracks in Nova Scotia: Truro, Inverness, and Tartan Downs (Sydney), as well as five teletheatres operating in various locations.

Harness racing has been a declining industry in recent years, and many of the racetracks, including those in Nova Scotia, are experiencing financial difficulties.

In order to revitalize this industry, the Council of Maritime Premiers recommended that responsibility for harness racing be shifted to ALC to take advantage of ALC's marketing expertise.

ALCHRC acts as NSHRI's agent to market and promote harness racing in Nova Scotia. NSHRI manages ALCHRC's activities through its approval of annual plans and related operating and capital budgets.

A three-year plan prepared by ALCHRC, which projected a loss in Nova Scotia of $3.1 to $4.3 million over the first three years of operation, was approved in June 1998 subject to annual review by NSHRI.

NSHRI funds ALCHRC's involvement in harness racing in Nova Scotia from the Nova Scotia Harness Racing Fund, a special fund created pursuant to the *Nova Scotia Harness Racing Incorporated Regulations* made under the *Gaming Control Act*. NSGC contributes to the fund as authorized and directed by the Minister of Finance.

Organization

NSGC is a relatively small organization, as the day-to-day operation of its gaming activities is delegated to its operators, ALC and MEG. It has a staff of 12.

In accordance with the *Gaming Control Act*, a Board of Directors of three to five persons, reporting directly to the Minister of Finance, governs NSGC. The current Board consists of three members.

Corporate Mission

Based on the mandate provided in the *Gaming Control Act*, NSGC established its mission as:

Mission

To conduct and manage gaming in Nova Scotia to maximize net revenues to Nova Scotia in a responsible manner.

As NSGC delegates its day-to-day operations to its operators, ALC and MEG, this mission statement implies the following:

- Both ALC and MEG operate in an effective and efficient manner to maximize their revenues to NSGC.
- Both ALC and MEG comply with the requirements of the *Criminal Code of Canada*, the *Gaming Control Act* and the *Regulations*.
- Both ALC and MEG respond to the policy and strategic direction provided by NSGC.

1998–99 in Review

In the 1998–99 Business Plan, NSGC established a number of priorities for the year. This section provides an overview of actual performance against these priorities.

Corporate

1. Finalize the amendment of the profit distribution formula.

In 1996, at the request of NSGC, the Auditor General of Nova Scotia conducted an independent review of ALC and confirmed that, under its current profit distribution formula, NSGC was not receiving its fair share of ALC's annual profit. NSGC estimates that the shortfall amounts to $4–4.5 million annually.

Over the past two years, NSGC has worked to address this issue with a proposed amendment to the profit distribution formula. The amendment requires the unanimous agreement of all ALC shareholders. Numerous discussions and negotiations have ensued. In November 1998, there was agreement in principle among the shareholders on NSGC's amended profit distribution to take effect from April 1, 1997. However, Newfoundland and New

Brunswick continued bilateral discussions on Newfoundland's request for an adjustment from New Brunswick.

As a result, NSGC reviewed the option of withdrawing from ALC and managing and operating its own Traditional and Video Lottery programs. Following an assessment of operating options upon repatriation from ALC, NSGC determined that an independent Nova Scotia Lottery is both financially and operationally viable.

On March 9, 1999, NSGC provided notice of its intention to withdraw from ALC unless the profit distribution formula was amended by March 29, 1999.

The bilateral negotiations between New Brunswick and Newfoundland regarding an adjustment were not successful. On March 29, 1999, the Minister of Finance (Nova Scotia) announced that all four provinces were unable to agree on the amended profit sharing formula and that NSGC would be withdrawing from ALC and creating its own lottery over a 12-month period.

2. Clarify relationship between NSGC and NSAGA with respect to the activities of NSGC and its operators, MEG and ALC.

NSGC held a number of discussions with NSAGA during 1998–99 to clarify this relationship. Through these discussions, agreement has been reached on most of the communication protocols in relation to gaming activities carried out by NSGC's operators, MEG and ALC.

3. Continue to better define the scope of the statutory requirement under the Criminal Code of Canada that NSGC conduct and manage all forms of the province's gaming activities.

Section 207(1)(a) of the *Criminal Code of Canada* legalizes gaming conducted and managed by a province. Under the *Gaming Control Act*, NSGC is designated the province's exclusive agent to conduct and manage all casino and lottery gaming activities in Nova Scotia. NSGC, by agreement, has delegated the day-to-day operation of its casino and lottery activities to its operators, MEG and ALC.

Since the signing of the last of these agreements in 1995, the law on the scope of the conduct and manage function has rapidly evolved, largely as a result of some recent court cases in British Columbia and Ontario. Therefore, NSGC continues to monitor the judicial interpretation of the conduct and manage function to ensure that gaming activities in Nova Scotia are carried out in compliance with the *Criminal Code of Canada* and the *Gaming Control Act* and *Regulations*. This has required an ongoing dialogue between NSGC and its operators.

4. Develop a five-year business plan that will include a five-year operating budget and five-year capital budget.

A process leading to the development of a five-year strategic plan was initiated in late 1998–99, and a strategic plan will be completed in 1999–2000.

5. Improve disclosure contained in the annual report and financial statements of ALC.

In accordance with recommendations made by the Auditor General (Nova Scotia), NSGC requested, and ALC agreed to, significant improvements in the disclosure and distribution of its 1998 annual report and financial statements. Consideration of further disclosure will take place in the preparation and approval of ALC's 1999 annual report and financial statements.

6. Assist ALC in the negotiation and implementation of contracts to operate harness racing in Nova Scotia.

Prior to the incorporation of NSHRI in March 1999 and the establishment of the Nova Scotia Harness Racing Fund in April 1999, NSGC managed Nova Scotia's involvement in the harness racing industry on an interim basis.

Over the course of the last fiscal year, NSGC has overseen ALCHRC's involvement in the marketing and promotion of harness racing in Nova Scotia and assisted ALCHRC in the negotiation of interim arrangements with the individual tracks. NSGC also assisted in drafting a comprehensive grant agreement to formalize ALCHRC's involvement in the industry and the funding arrangement between ALCHRC and the tracks. The grant agreement has not yet been finalized pending the outcome of a request to Revenue Canada for an advanced ruling on the HST implications of the proposed arrangement.

NSHRI and ALCHRC are also working on an agency agreement to clarify their respective authorities and responsibilities.

For fiscal 1998–99, the actual loss to NSHRI is expected to be $1,997,000, approximately $200,000 over the ALCHRC budget of $1,757,360.

7. Establish the Nova Scotia Gaming Foundation to receive and distribute funds to ensure gaming is carried on in a socially responsible manner and to minimize the effects of problem gaming.

The Nova Scotia Gaming Foundation (NSGF) was established on March 11, 1998. It is administered by NSGC.

The purpose of NSGF is to receive, maintain, and disburse funds in furtherance of the purposes set out in the *Gaming Control Act*, including for research or education in respect of gambling, or treatment and remediation of the effects of gambling.

In 1998–99, NSGF approved $1.18 million in funding for a number of projects including the start up of an outreach centre and a VLT harm reduction study.

8. Revise agency agreements between NSGC and ALC to better define the authorities and responsibilities of ALC as operator.

NSGC initiated discussions with the Board of Directors of ALC to differentiate NSGC's shareholder relationship with ALC from its principal/agent relationship with ALC. Some progress was made, and the ALC Board of Directors recognized that the primary relationship was one of principal/agent. A draft agency agreement to better define the authorities and responsibilities of ALC was advanced and discussed in the context of the new harness racing activities. During the year, ALC management recognized the authority and responsibility of NSGC in overseeing the day-to-day operations of ALC. Regular meetings and communication protocols were established.

Traditional (Ticket) Lotteries

9. Review and monitor the implementation of the 1998–99 business plan of ALC related to Traditional Lotteries.

NSGC approved ALC's 1998–99 business plan and related budgets with a net profit expectation of $39.6 million from Traditional Lotteries. During the year, NSGC reviewed ALC's results compared to its plan and budget on a monthly basis and also held regular management meetings to discuss and analyse these results. NSGC projects the net profit from Traditional Lotteries to be $40.2 million, 2 per cent over budget.

Video Lotteries

10. Review and monitor the implementation of the 1998–99 business plan of ALC related to Video Lotteries.

NSGC approved ALC's 1998–99 business plan and related budgets with a net profit expectation of $98.2 million from Video Lotteries. This budget was based on a net profit of $84.2 million from base operations and another $14 million to be derived from proposed changes to the VLT program.

Due to the *Video Lottery Terminals Moratorium Act* introduced in June 1998, most of these planned changes were deferred. However, as a result of other efforts, including NSGC's amendments to the policies on the deployment of VLTs, the net profit from Video Lottery operations is projected to be $88.7 million for 1998–99.

During the year, NSGC reviewed ALC's results compared to its plan and budget on a monthly basis and also held regular management meetings to discuss and analyse these results.

11. Develop a VLT strategy.

NSGC developed a comprehensive VLT strategy in 1998, which was based upon a responsible gaming initiative to encourage responsible VLT play and mitigate problem gambling.

This strategy includes a number of responsible gaming initiatives. One of the first steps was the issuance of the VLT Request for Proposals (RFP) in December 1998. The RFP challenged manufacturers to provide advanced VLT technology and other recommendations that will mitigate problem gambling and emphasize responsible play among entertainment and interactive market segments.

Dr. Howard Shaffer from Harvard Medical School in Boston, and Dr. Harold Wynne, President of Wynne Resources in Edmonton, were retained as problem gaming consultants to advise NSGC during the RFP development and evaluation and testing process.

Advanced VLT technology is one of the principal objectives of the VLT RFP. Flexibility of the platform will enable NSGC to respond to recommendations arising out of current and future VLT studies. NSGC, in consultation with Dr. Shaffer and Dr. Wynne, has monitored the findings of VLT studies including the 1997–98 Video Lottery Players' Survey by Focal Research released in October 1998. Relevant findings have been taken into account in the RFP process.

In addition to NSGC's problem gaming consultants, NSGC engaged Paul Newton of Gaming 2000 Limited in Regina to advise on the gaming aspects of the RFP.

Three responses were received in March 1999. NSGC and its consultants have developed a comprehensive plan to evaluate these proposals. Dr. Shaffer and Dr. Wynne have played an integral role in developing criteria to evaluate the responsible gaming features on the proposed VLTs and other responsible gaming recommendations. The field-testing phase is scheduled to take place in the upcoming year.

Another step in the Corporation's responsible gaming initiative started this year was the development of a retailer education and training program for all VLT retailers. This program, under the joint direction of NSGC and ALC, is also expected to be implemented during 1999–2000.

12. Negotiate financial arrangements with VLT retailers.

In December 1998, NSGC implemented a reduction in the VLT retailer commission rate from 30 per cent to 25 per cent of net Video Lottery revenues to be effective March 1, 1999 and incorporated this commission rate in a new retailer agreement.

The 30 per cent commission rate was one of the highest in Canada.

In addition to the adjustment in retailer commissions, the new retailer agreement also incorporated a number of changes arising out of the *Video Lottery Terminals Moratorium Act*, such as amendments to the policies on deployment.

Casino Gaming

13. Develop financial, communication and operational protocols within the framework of the contracts with MEG.

In its effort to carry out its role of conduct and management of casino gaming effectively, NSGC initiated a process to define the financial, communications, and operational protocols with MEG.

In 1998, a financial protocol was drafted and, while the protocol is not yet signed by NSGC and MEG, most of the guidelines contained in this protocol are being followed. Discussions with MEG on the operational and communications protocol are ongoing.

14. Review and monitor the implementation of approved 1998 business plan by MEG

MEG submitted its 1998 business plan and related budgets to NSGC on November 14, 1997. Following a detailed review of its submission and discussions with MEG's senior management, the 1998 business plan and budgets were approved by NSGC with the exception of the failure to make provision for the payment of HST, a matter of contractual interpretation presently being resolved under the dispute resolution procedures in the Operating Contract.

During the year, NSGC reviewed monthly financial statements and management reports from MEG and also conducted quarterly meetings to review MEG's performance at the two casinos relative to the approved business plan and budgets. Significant variances between budget and actual results were discussed and analysed.

Total Provincial Revenues from casino operations for 1998–99 are projected to be $26.134 million, which includes the win tax but excludes the $100,000 license fee; however, these revenues will be reduced by $1.234 million which will be paid to MEG to reduce the cumulative deficiency previously paid by MEG and NSGC under the income guarantee.

15. Evaluate marketing activities by the Halifax and Sydney casinos to attract players from international high-end markets.

Before the opening of its casinos, MEG anticipated that a significant portion of its business would be generated from out-of-province players.

As part of discussions at the quarterly meetings, MEG outlined its short and long term marketing plan to attract out-of-province and, in particular, high-end players. The results of MEG's past marketing plans were also reviewed at the quarterly meetings.

During the year, MEG has attracted additional out-of-province players, especially during tourist season. However, these out-of-province players have not tended to be high-end players and this has contributed to its budget shortfall in 1998.

Those high-end players who did come to Halifax indicated to MEG that they were not satisfied with the facilities of the interim casino. MEG anticipates a significant increase in high-end play following the opening of the permanent casino.

16. Support amendments to Casino Regulations to facilitate marketing of Nova Scotia casinos to international players.

In 1997, NSGC and MEG agreed that the existing *Casino Regulations* required change to attract high-end players from out-of-province. Regulatory changes were requested to allow for credit to out-of-province players, the provision of complimentary alcoholic beverages to players in a "high limit" room and 24-hour operations seven days a week. These changes were required to ensure that the Halifax casino competed on a level playing field with its competitors in Ontario, Quebec and New England.

These regulatory changes were approved in the fall of 1998 and planning is under way to market the permanent casino to the high-end, out-of-province players.

17. Supervise and monitor the construction of the permanent casino in Halifax for completion on time (September 15, 1999) and on budget.

The permanent Halifax Casino is scheduled for completion by September 15, 1999. MEG suspended construction in July, 1998 to evaluate and revise the approved casino design because the regulatory changes recommended by MEG and NSGC in November 1997, which were required to attract international high-end players, had not been approved.

The regulatory changes were subsequently approved in October 1998 and construction of the permanent casino resumed on October 19, 1998 without any changes to the casino contracts or to the approved casino design.

With a mild Halifax winter, construction has been progressing well. As of February 28, 1999, the following significant milestones have been achieved:

- The erection of the parking garage is 95 per cent complete.
- 90 per cent of the foundation has been poured.
- Much of the structural steel has been fabricated and erection of the building began in late February.
- Pre-cast for the casino is 50 per cent complete.
- Approximately $55.5 million was expended or committed.

MEG projects construction will now be completed in January 2000. Under the terms of the Halifax Casino Construction Contract, MEG is required to pay NSGC $10,000 per day from September 15, 1999 until the casino is completed.

1999–2000 Goals and Programs

1999–2000 Goals

NSGC has established the following goals for 1999–2000. All of these goals are specific and NSGC's performance can be clearly measured against these goals at the end of the fiscal year.

Corporate Goals

1. To achieve a total net income of $144.9 million (excluding casino win tax of $17.3 million paid directly to the Province of Nova Scotia).
2. To complete a five-year Corporate Strategic Plan.
3. To have a new CEO in place.

Traditional Lottery Goals

4. To achieve revenues of $208.3 million.
5. To achieve a net profit of $48.3 million.

Video Lottery Goals

6. To achieve net revenues of $136.1 million.
7. To achieve a net profit of $92.1 million.
8. To achieve a net revenue of $803 per VLT per week.

Casino Gaming Goals

9. To achieve an average net win of $924 per table per day for Halifax and $357 for Sydney.
10. To achieve an average net win of $212 per slot machine per day for Halifax and $191 for Sydney.
11. To complete the construction of the permanent casino in Halifax, not later than January 2000.

Harness Racing Goals

12. To reduce NSGC's financial contribution from nearly $2 million in 1998–99 to less than $1 million in 1999–2000.

1999–2000 Programs

Corporate Programs

1. To successfully complete the repatriation of Traditional and Video Lottery programs

On March 29, 1999, the Minister of Finance announced that NSGC would withdraw its Traditional and Video Lottery programs from ALC.

To ensure that Nova Scotia continues to benefit from gaming revenues following repatriation, it is essential for the repatriation process to be carried out successfully. Pages 171 and 172 of this plan provides an overview of this process, including an estimate of associated costs.

2. To develop a Corporate Strategic Plan

A strategic planning process was initiated in late 1998–99. In 1999–2000, NSGC will continue this process, which includes the following key tasks:

- Define overall corporate directions, including the development of a mission statement, values of the organization, and corporate objectives and strategies.
- Develop annual goals and programs for the five-year planning period.
- Define resource requirements for the implementation of its strategies and programs.
- Develop an implementation plan for NSGC's new directions and strategies.

The completion of this process is scheduled for June 1999 with the finalization of a strategic plan document.

3. To complete an organizational review

NSGC currently operates with a team organization structure. With the expansion of the organization and increased responsibility and complexity of its operations, the current organization structure no longer meets its business needs.

An organizational review will take place and will consider the strategic direction for the Corporation established through the strategic planning process.

The deliverables for this organizational review include:

- An organization structure.
- Definition of the roles and responsibilities of management and professional staff in the new organization.
- Delineation of the management process of the organization.

4. To develop a corporate communication strategy

With the introduction of VLTs and other forms of gaming, gaming organizations have come under much greater public scrutiny in recent years. To successfully fulfil its role of conduct and management of gaming activities in Nova Scotia, stakeholder support is important to NSGC.

In 1999–2000, NSGC will achieve the following:

- Develop a corporate information program to communicate with its retailers, customers, public, and other key stakeholders and to provide an opportunity for input from these stakeholders.
- Provide the public and other key stakeholders with a full understanding of its mandate and activities.

5. To transfer the responsibility for NSGF to another government entity

NSGC accepted the responsibility of establishing NSGF in 1998–99 on an interim basis.

NSGC will work with government to transfer the administrative responsibility of NSGF to government agencies separate from NSGC and with expertise related to the objectives of NSGF, including research, education, treatment, and remediation of the effects of problem gambling.

6. To continue to clarify the regulatory role of NSAGA in relation to NSGC activities

NSGC has made significant progress in 1998–99 in discussions with NSAGA regarding its regulatory role with respect to Traditional and Video Lottery programs. To ensure that NSGC operates effectively, and, at the same time, complies with the laws, it will continue to clarify the role of NSAGA through ongoing discussions.

Traditional Lottery Programs

7. To re-introduce or replace breakopen products

In January 1999, ALC withdrew the breakopen products from Atlantic Canada due to deficiencies that allowed some players to identify winning tickets. While these products have been reintroduced in Newfoundland, NSGC will not reintroduce these products in Nova Scotia until an independent review of the systems related to the integrity of the product is completed.

The absence of breakopen tickets in Nova Scotia costs NSGC approximately

$100,000 in net profit per week and 1,500 ticket retailers approximately $60,000 in net sales per week. It is therefore a priority to re-introduce the Breakopen tickets or a substitute product to the Nova Scotia market as soon as possible following receipt of the independent review.

8. To reduce the unclaimed prize fund

Over the years, ALC has accumulated a substantial unclaimed prize fund as a result of prizes from its lottery ticket games not being claimed within one year of draw date. At the end of fiscal 1998–99, NSGC's portion of this fund is estimated at approximately $10 million. This fund is intended to be returned to players as prizes in other games.

In 1999–2000, NSGC will review and develop strategies to reduce the amount of the unclaimed prize fund in a manner that will increase its net profits.

9. To develop policies for special lottery tickets

NSGC has evaluated the financial and other returns to support international events held in Nova Scotia through sales of special lottery tickets.

In 1999–2000, NSGC will determine the feasibility of such sales programs and, if feasible, will develop policies for such special lottery tickets, including criteria for the selection of qualifying international events.

Video Lottery Programs

10. To implement the Responsible Gaming Initiatives

Following the development of the VLT strategy, NSGC identified a number of responsible gaming initiatives.

The key responsible gaming initiatives to be implemented in 1999–2000 include the following:

- Completing the evaluation of responses to the VLT Request for Proposals, including testing and evaluation of responsible gaming features.
- Dr. Shaffer and Dr. Wynne, NSGC's problem gaming consultants, will play a critical role in evaluating the responsible gaming aspects of each proposal.

- NSGC, with the assistance of Dr. Shaffer and Dr. Wynne, will continue to monitor any new VLT research findings. The VLT Harm Reduction Study conducted by Dr. Jim Blackburn at Dalhousie University is expected to be completed by the spring of 2000. Any relevant findings from this study will be considered by NSGC's consultants.
- A retailer education and training program for all video lottery retailers will be developed and implemented. Development will be completed by July 1999 and implementation will follow.
- Standards will be established for Video Lottery retailer premises.

11. To continue redeployment of VLTs to maximize revenues

To maximize revenues from a limited number of VLTs without compromising the Corporation's responsible gaming initiatives, NSGC will continue to monitor the performance of individual VLTs and retailers throughout the coming year. Minimum revenue targets and other operating standards will be established.

12. To improve NSGC's relationship with VLT retailers

The success of NSGC's Video Lottery program depends not only on the performance of its operator, ALC, but also on the performance of its retailers. In 1999–2000, NSGC will implement a program aimed at improving its services and communications to its retailers. This program will include regular and ongoing direct contacts with the VLT retailers and a retailer newsletter.

Casino Gaming Programs

13. To supervise the completion of the permanent Halifax Casino

To ensure the completion of the permanent Halifax Casino not later than January 2000, NSGC will continue to monitor the construction progress on a regular basis.

14. To continue to develop financial, communications, and operational protocols with MEG

NSGC and MEG have been following the guidelines outlined in a draft financial protocol, and no significant changes are expected. NSGC will work with MEG to ensure the financial protocol is signed during fiscal 1999–2000.

NSGC will continue its efforts in the development of communications and operational protocols with MEG, which will also include a continuance of its 1998–99 discussions with NSAGA.

15. To conduct an internal control systems review

During the fiscal year of 1999–2000, NSGC will conduct a review of the internal control systems manual for the casinos.

16. To seek approval of regulatory amendments for the introduction of the craps game

On March 11, 1999, the federal government removed the prohibition on dice games through an amendment to the *Criminal Code of Canada*. Craps is an exciting dice game that tends to be popular with American patrons. Three Ontario casinos have already introduced the game in their establishments.

The current *Casino Regulations* to the *Gaming Control Act* require amendment in order to permit the craps game in Nova Scotia. NSGC and MEG will work jointly to propose amendments to the *Casino Regulations* so that this game may be offered at the Halifax permanent casino.

17. To complete the arbitration of the HST/GST dispute

NSGC and MEG disagreed on the treatment of HST as an operating expense under the Operating Contract. This dispute followed the dispute resolution procedures in the contract, and on June 15, 1998, the arbitrator released his decision and confirmed NSGC's interpretation that non-recoverable HST is an operating expense. MEG now argues that since the federal regulations governing HST/GST for games of chance were not in effect until September 1998, the Corporation was not a prescribed registrant and therefore there was no non-recoverable HST related to the casinos.

The Corporation and its legal counsel disagree with MEG's argument. These matters will be resolved in accordance with the dispute resolution procedures as provided for under the Operating Contract.

Harness Racing

18. To improve harness racing revenues

To achieve the plan and related budgets approved by ALCHRC for the harness racing industry in Nova Scotia through involvement by NSHRI. This plan incorporates the following elements:

- To enhance the racing product through marketing.
- To increase the number of scheduled simulcast races.
- To develop teletheatre betting.

With this program, NSGC is expected to reduce its financial contribution to NSHRI to fund ALCHRC's involvement from nearly $2 million in 1998–99 to less than $1 million in 1999–2000.

Financial Highlights

1998–99 Financial Results

Projected Operating Results to March 31, 1999 ($000)

Revenues	*1998–99 Budget*	*1998–99 Actual**	*1997–98 Actual*
Atlantic Lottery Corporation			
Traditional lottery	$184,258	$185,400	$181,513
Video lottery	141,933	129,321	120,996
Profit distribution formula	4,000	0	0
Sheraton Halifax Interim Casino			
Casino	53,067	50,139	48,226
Beverage, food and other	1,148	1,250	1,167
Sheraton Sydney Casino			
Casino	28,010	25,685	25,783
Beverage, food and other	1,807	1,746	1,690
Total Revenues	**414,223**	**393,541**	**379,375**
Expenses			
Atlantic Lottery Corporation			
Traditional lottery expenses			
–Prize expense	97,160	100,116	95,736
–Retailer commissions	17,582	16,720	14,912
–Corporate operating costs	29,966	28,415	31,980
Video lottery			
–Retailer commissions	31,606	32,868	30,975
–Corporate operating costs	12,114	7,785	9,309
Sheraton Halifax Interim Casino			
Casino win tax	10,613	10,028	9,645
Operating	30,961	27,792	34,569
Payments to operator	4,424	4,749	1,813

1998–99 Financial Results *(continued)*

Projected Operating Results to March 31, 1999 ($000)

Expenses	1998–99 Budget	1998–99 Actual*	1997–98 Actual
Sheraton Sydney Casino			
Casino win tax	5,522	5,137	5,157
Operating	20,625	18,472	19,508
Payments to operator	1,881	1,673	1,578
Special Payments			
Harness Racing Fund	1,800	1,997	0
NS Gaming Foundation	1,050	762	720
Sport & Recreation Commission	100	100	100
Department of Agriculture & Marketing	50	50	50
Department of Education and Culture	50	50	50
NSGC management expenses	1,342	1,583	1,174
Total Expenses	**266,846**	**258,297**	**257,276**
Net Operating Income	**147,377**	**135,244**	**122,099**
Income Guarantee—Repayment to Operator	-1,241	-1,234	5,501
Net Income	**$146,136**	**$134,010**	**$127,600**
Total Payments to Province of Nova Scotia			
NSGC net income	$146,136	$134,010	$127,600
Casino win tax	16,135	15,165	14,802
	162,271	**149,175**	**142,402**

* *Based on actual results to February 28, 1999 and an estimate for the month of March.*

Management Discussion and Analysis—1998–99 Financial Results

	Traditional Lottery Budget 1998–99	Video Lottery Budget 1998–99	Total ALC Budget 1998–99	Traditional Lottery Actual 1998–99	Video Lottery Actual 1998–99	Total ALC Actual 1998–99
Revenue	$188,258 *	$141,933	$330,191	$185,400	$129,321	$314,721
Expenses	144,708	43,720	188,428	145,251	40,653	185,904
Net Profit	$43,550	$98,213	$141,763	$40,149	$88,668	$128,817

** Includes $4 million in revenue anticipated from the amendment to the profit distribution formula.*

ALC budgeted $326.2 million in revenues, plus NSGC included an additional $4 million in revenues related to the amendment of the profit distribution formula. Net profit was budgeted at $141.8 million for 1998–99, which included a net profit of $39.6 million from Traditional Lotteries, $4 million from the profit distribution formula adjustment and $98.2 million from Video Lotteries.

Traditional Lottery revenues are projected to be $185.4 million compared to the budget of $184.3 million, resulting in projected net profit of $40.2 million compared to the budget of $39.6 million, a 2 per cent increase. The increase in profit is due to an expected $1.1 million increase in revenues over budget, while projected expenses are $0.5 million over budget. The 1998–99 projected net profit of $40.2 million includes a loss of $0.9 million associated with the withdrawal of Breakopen tickets in January 1999 and an additional $1 million loss relating to the Pro-line sports block betting in February 1999. The $4 million in revenue from the profit distribution formula adjustment will not be realized, as unanimous shareholder agreement was not reached.

Video Lottery revenues are projected to be $129.3 million, $12.6 million under budget, resulting in projected net profit of $88.7 million, which was under budget by $9.5 million.

A $12.6 million shortfall was a result of deferral of proposed changes to the Video Lottery program which was deferred due to the introduction of the *Video Lottery Terminals Moratorium Act* in June 1998. However, as a result of other efforts, including NSGC's amendments to the policies on the deployment of VLTs, the net profit from video lottery operations is projected to be $88.7 million for 1998–99.

	Sheraton Halifax Interim Casino Budget 1998–99	*Sheraton Sydney Casino Budget 1998–99*	*Total Budget 1998–99*	*Sheraton Halifax Interim Casino Actual 1998–99*	*Sheraton Sydney Casino Actual 1998–99*	*Total Actual 1998–99*
Total Revenues	$54,215	$29,817	$84,032	$51,389	$27,431	$78,820
Win Tax	10,613	5,522	16,135	10,028	5,137	15,165
Operating Expenses & Operator Payments	35,385	22,506	57,891	32,541	20,145	52,686
Net Operating Income	$8,217	$1,789	$10,006	$8,820	$2,149	$10,969

The Halifax Casino generated $51.4 million in revenues for the year ending March 31, 1999, 5.2 per cent under budget. Daily admissions and the hold percentage were lower than budget. The win tax paid directly to the province was $10.0 million. Net operating income of $8.8 million was achieved, 7.3 per cent above the budget of $8.2 million. Expenditures were efficiently managed.

The Sydney Casino generated $27.4 million in revenues for the year ending March 31, 1999, 8.0 per cent under budget. Daily admissions and the hold percentage were lower than budget. The win tax paid directly to the province was $5.1 million. Net operating income of $2.2 million was achieved, 20.1 per cent above budget of $1.8 million. Expenditures were efficiently managed.

The costs of marketing and promoting harness racing at the Truro, Inverness, and Tartan Downs racetracks will exceed budget by $197,000 or 10.9 per cent, due primarily to the delayed start-up of the 1998 racing season, uncertainty regarding simulcast dates, and the continuance of live racing during the winter.

NSGC management expenses are projected to be over budget by $241,000, or 18.0 per cent, due mainly to additional professional fees in relation to litigation of a constructive dismissal action by the former chair and consulting fees related to the withdrawal from ALC.

1999–2000 Operating Budget ($000)

	1999–2000 Budget+	*1998–99 Actual**
Revenues		
Atlantic Lottery Corporation+		
Traditional lottery	$208,288	$185,400
Video lottery	136,093	129,321
Sheraton Halifax Interim Casino		
Casino	60,256	50,139
Beverage, food and other	4,629	1,250
Late completion fee	1,060	
Sheraton Sydney Casino		
Casino	26,005	25,685
Beverage, food and other	1,765	1,746
Total Revenues	**438,096**	**393,541**
Expenses		
Atlantic Lottery Corporation+		
Traditional lottery expenses		
– Prize expense	105,175	100,116
– Retailer commissions	18,716	16,720
– Corporate operating costs	36,119	28,415
Video lottery		
– Retailer commissions	29,052	32,868
– Corporate operating costs	14,954	7,785
Sheraton Halifax Interim Casino		
Casino win tax	12,051	10,028
Operating	41,142	27,792
Payments to operator	4,092	4,749

1999–2000 Operating Budget ($000) (continued)

	1999–2000 Budget+	*1998–99 Actual**
Sheraton Sydney Casino		
Casino win tax	5,201	5,137
Operating	18,937	18,472
Payments to operator	1,624	1,673
Special Payments		
Harness Racing Fund	935	1,997
NS Gaming Foundation	675	762
Sport & Recreation Commission	100	100
Department of Agriculture & Marketing	50	50
Department of Education and Culture	50	50
NSGC management expenses++	2,389	1,583
Total Expenses	**291,262**	**258,297**
Net Operating Income	**146,834**	**135,244**
Income Guarantee – Repayment to operator	-1,960	-1,234
Net Income	**$144,874**	**$134,010**
Total Payments to Province of Nova Scotia		
NSGC net income	$144,874	$134,010
Casino win tax	17,252	15,165
	$162,126	**$149,175**

Note:
The Net Operating Income of the Nova Scotia Gaming Corporation assumes that the HST dispute between NSGC and the Operator will be resolved in favour of NSGC (See details of HST/GST dispute on page 159). Should the dispute be resolved in favour of the Operator, the Net Operating Income of NSGC for the year ending March 31, 2000 would be reduced by approximately $5.8 million. A cumulative reduction in Net Operating Income of $19.6 million would occur to results of previous years.

+ ALC's budget is not final and has not been approved by the Board of ALC or by NSGC. ALC's budget is expected to be amended to recognize the impact of NSGC's repatriation.

++ NSGC's management expenses exclude any cost associated with the repatriation of lottery programs from ALC (see page 171).

** Based on actual results to February 28, 1999 and an estimate for the month of March.*

Management Discussion and Analysis – 1999–2000 Operating Budget

	Traditional Lottery Budget 1999–2000	Video Lottery Budget 1999–2000	Total ALC Budget 1999–2000	Traditional Lottery Actual 1998–99	Video Lottery Actual 1998–99	Total ALC Actual 1998–99
Revenue	$208,288	$136,093	$344,381	$185,400	$129,321	$314,721
Expenses	160,010	44,006	204,016	145,251	40,653	185,904
Net Profit	$48,278	$92,087	$140,365	$40,149	$88,668	$128,817

ALC's budget includes $344.4 million in revenues and net profit of $140.4 million. The Traditional Lottery revenues are budgeted at $208.3 million, with a budgeted net profit of $48.3 million. The Video Lottery budget includes revenues of $136.1 million and net profit of $92.1 million.

The Traditional (Ticket) Lottery business has matured across Canada, and game innovation and marketing, including enhanced prize jackpots, are key to maintaining or modestly increasing sales. Traditional revenues are budgeted to increase 12.3 per cent over 1998–99 actual revenues. The 1999–2000 budget includes $10.0 million in revenues from the utilization of the unclaimed prize fund (see below) and a full year of breakopen sales. The 1998–99 actual revenues were down approximately $4.0 million from 1998–99 budget due to the withdrawal of the breakopen product in January 1999. Taking into consideration the combined impact of this $14.0 million on 1998–99 revenues, the increase in Traditional Lottery revenues budgeted for 1999–2000 over the adjusted 1998–99 actuals is 4.5 per cent.

Revenues, net of prize expense, are budgeted to increase by $17.8 million or 20.9 per cent; 56.2 per cent of this increase in net revenues is due to a reduction in prize expense as a result of utilization of $10.0 million of the unclaimed prize fund to enhance prize jackpots during the year. This $10.0 million is not recorded as a prize expense of ALC but rather as a reduction in the balance of the unclaimed prize fund (see page 157). Total prize expense would have been budgeted at $115.1 million versus $105.1 million if the unclaimed prize fund was not available.

Traditional Lottery expenses are budgeted to increase 10.2 per cent over 1998–99 actuals. Net profit is projected to increase

$8.1 million, or 20.2 per cent, in 1999–2000 over 1998–99, primarily as a result of the utilization of the unclaimed prize fund.

Policy initiatives to enhance traditional lottery sales, such as new lottery retailer terminals (LRTs), policies regarding deployment of LRTs and evaluation of the Traditional Lottery distribution network, accounting by product offered, and offer of special or charitable tickets, will be deferred until the completion of the transition of the Traditional Lottery from ALC scheduled for March 31, 2000.

The Video Lottery net profit is projected to increase $3.4 million, or 3.9 per cent, in 1999–2000 over 1998–99. This increase results from the implementation of NSGC policy initiatives in 1999–2000, including the policy on VLT deployment, changes to the VLT retailer commissions, and the development of VLT tracking and control procedures. Additionally, NSGC, in cooperation with NSAGA and ALC, developed enhancements to the approval process of VLT retailers and licensing of VLTs. NSGC expects that the implementation of the initial phases of its VLT responsible gaming initiative will offset these net profit gains; however, NSGC does not expect to begin the implementation until early 2000 and therefore the reduction to net profits will be deferred until 2000–2001.

	Sheraton Halifax Casino Budget 1999–2000	*Sheraton Sydney Casino Budget 1999–2000*	*Total Budget 1999–2000*	*Sheraton Halifax Interim Casino Actual 1998–99*	*Sheraton Sydney Casino Actual 1998–99*	*Total Actual 1998–99*
Total revenues	$65,945	$27,770	$93,715	$51,389	$27,431	$78,820
Win tax	12,051	5,201	17,252	10,028	5,137	15,165
Operating expenses & operator payments	45,234	20,561	65,795	32,541	20,145	52,686
Net operating income	$8,660	$2,008	$10,668	$8,820	$2,149	$10,969

The Halifax Casino is expected to generate $65.9 million in revenues for the year ending March 31, 2000, up 28.3 per cent over the prior year. The permanent casino is expected to open in December 1999, and this will contribute to the expected increase in revenues. In addition, the late completion fee of $1.06 million is included in revenues. The win tax expected to be paid directly to the province is $12.1 million. Net operating income is budgeted at $8.7 million. The decrease from the actual results for 1998–99 is due to the amortization of the permanent casino.

The Sydney Casino is expected to generate $27.8 million in revenues for the year ending March 31, 1999, virtually the same result achieved in 1998–99. The win tax anticipated to be paid to the province is $5.2 million. Net operating income is budgeted at $2.0 million, which again is in line with the results achieved during 1998–99. Little growth is expected in Sydney.

Because the income guarantee from MEG expires July 31, 1999, the year ended March 31, 2000 will include nine months of the clawback year ended July 31, 2000 under the income guarantee. Total Provincial Revenue is expected to exceed $25.0 million for the year ended March 31, 2000; however, MEG is expected to recover from casino revenues any amounts in excess of the $25.0 million in Total Provincial Revenue. This has the effect of limiting NSGC's net operating income to $24.9 million (including the casino win tax paid to Nova Scotia of $17.3 million and excluding $100,000 licence fee paid to NSAGA).

NSGC's administrative expenses will increase from $1.6 million to $2.4 million; $600,000 of this increase relates to salaries and benefits, including the hiring of a Chief Executive Officer and support staff, together with the addition of three professionals. This increased staff and related increases in other expense areas is required to enable NSGC to discharge its conduct and manage function; to continue its review, evaluation, and implementation of the 1999–2000 programs that have and will continue to contribute significantly to

NSGC's net profits; and to support the transition of NSGC from a "conduct and manage" to a "conduct, manage, and operate" organization with the repatriation from ALC of the day-to-day operations of its Traditional (Ticket) Lotteries and Video Lotteries. The VLT responsible gaming initiative, although expected to affect net profits in the coming year, is also an integral component of the 1999–2000 business plan.

Repatriation Project Overview

Background

On March 29, 1999, the Minister of Finance announced that NSGC would withdraw its Traditional and Video Lottery programs from ALC, and NSGC would establish a new lottery that would offer the same games and services. A project team has been assembled to establish this new Nova Scotia lottery.

NSGC considered a number of operating options for the Traditional and Video Lottery program, including the options of outsourcing one or both of these programs. Based on the financial analysis, NSGC will likely operate the Video Lottery program in-house. Depending on the results of further investigations, the Traditional Lottery program may be operated either in-house or out-sourced.

Major Repatriation Tasks

The major tasks that will be carried out by the project team in the repatriation process include the following:

- Negotiate with the other ALC shareholders the terms of withdrawal including the transfer of NSGC assets from ALC to NSGC.

- Design and staff the Nova Scotia lottery organization.
- Select and implement a central system for the management and control of VLTs.
- Select a central system or a service provider for the Traditional Lottery operations.
- Develop and implement a corporate financial system to meet the financial processing and management reporting needs.
- Assign or develop agreements with retailers, suppliers, and any other third parties currently under contract with ALC on behalf of NSGC.
- Establish facilities and support structure for the new organization.
- Adopt and refine the applicable ALC policies and procedures for the new organization.
- Develop and implement a communication plan for the transition.

Implementation Timeframe

The planned date of repatriation is November 30, 1999 for the Video Lottery program and March 31, 2000 for the Traditional Lottery program.

Estimated Start-up Costs

The start-up costs are estimated at approximately $1.0 million if NSGC outsources the operation of both the Video and Traditional Lottery programs. However, under the more likely assumption that both Traditional and Video Lottery program are to be operated in-house, the start-up costs for establishing the new lottery are estimated to be in the range of $17.8 million, as shown below:

Gaming hardware	$2,125,000
Telecommunications hardware	2,023,700
Gaming software & implementation	8,532,000
Business & office systems	960,000
Premise & equipment	2,180,000
Consulting & professional	1,100,000
Staffing	700,000
Other costs	200,000
Total	**$17,820,700**

The start-up costs are expected to be capitalized and amortized over the first five years of operation.

Nova Scotia Harness Racing Incorporated

Business Plan 1999–2000

Mission

To conduct and manage Nova Scotia's involvement in the harness racing industry and to administer the Nova Scotia Harness Racing Fund (the "Fund"), a special fund as defined by s. 2(n) of the Provincial Finance Act, in accordance with the Nova Scotia Harness Racing Incorporated Regulations, through management and administrative support provided by the Nova Scotia Gaming Corporation.

Overview

The 1999–2000 Business Plan for Nova Scotia Harness Racing Incorporated is incorporated within the 1999–2000 Business Plan of the Nova Scotia Gaming Corporation at pages 139, 143-144, 147, 154, 160, and 165.

Nova Scotia Housing Development Corporation

Business Plan 1999–2000

Contents

Mission 177
Strategic Goals 177
Core Business Functions 177
Performance in 1998–99 178
Priorities for 1999–2000 179
Human Resources 179
Communications 180
Information Technology 180
Budget 180
Outcomes and Outcome Measure 180

Mission

The Nova Scotia Housing Development Corporation owns provincial assets associated with various social housing programs and provides statutory capital and other financing for the administration of these and other housing programs of the Department of Housing and Municipal Affairs. Funds are provided to the Corporation by the Province of Nova Scotia, Canada Mortgage and Housing Corporation (CMHC), and private sector lenders.

The Corporation also provides loan guarantees to qualifying housing sponsors with a demonstrated need and an inability to secure favourable private sector financing without such a guarantee. Depending on the type of housing project, the length of the guarantee can vary from a few years to the full amortization period of the loan, which is normally 25 years.

Strategic Goals

Broadly stated, the goals of the Corporation are to:

Goal I
Promote and/or establish housing projects for low-income families, seniors, students, and other persons or groups that, in the opinion of the Corporation, require assistance.

Goal II
Improve the quality of housing.

Goal III
Provide financing to the Department of Housing and Municipal Affairs for housing programs.

Core Business Functions

The core business functions of the Corporation are to:

1. Hold title to the physical assets of the province's social housing portfolio.
2. Accept the transfer of federal funding for social housing pursuant to the Social Housing Agreement of December 1997.

3. Provide mortgage guarantees and/or loans to qualifying sponsors for housing projects that further the Corporation's goals.
4. Manage the funded reserves associated with housing programs to protect the province from loss through its direct and/or contingent liabilities relating to its housing activities and to the Social Housing Agreement.
5. Generate interest income in excess of interest expense.

Performance in 1998–99

During 1998–99 the Housing Development Corporation initiated several business improvements, such as the revision of some accounting procedures due to a business process review and a positive management letter resulting from the March 31, 1998 fiscal year audit. The Corporation has been working with the Province of Nova Scotia, Department of Finance and Department of Housing and Municipal Affairs, to manage its borrowing in a more effective manner.

CMHC contributed approximately $57,000,000 to social housing programs in Nova Scotia, through the Social Housing Transfer Agreement, which was signed in October 1997. On October 1, 1997 the Housing Development Corporation assumed CMHC's share of ownership in the physical assets of all federal/provincial and unilateral federal social housing programs. In February 1998 the Corporation assumed the responsibility for receiving all federal subsidies related to the cooperative and non-profit housing sponsors, and on April 1, 1998 to the Rural and Native Program. This was a tremendous increase in responsibilities, which was met successfully by department staff.

The possibility of consolidation of the Corporation and Housing Development Fund were explored, and much groundwork has been laid to facilitate this project once it is approved. The need for this consolidation and improved internal management reporting was identified as part of the 1997–98 audit of the Provincial Auditor General, and consolidated financial statements for the Corporation are being generated for information purposes only in the 1998–99 fiscal year.

Priorities for 1999–2000

Priorities for 1999–2000 include:

- Continue to analyse the financial reporting implications of consolidating the full costs of social housing programs and their administration into the financial statements of the Corporation.
- Continue to meet the financial requirements of the social housing programs for which the Corporation was established.
- Develop management reports for internal use that meet decision-making needs of senior management.
- Submit to government a rationale and recommendation to consolidate the Housing Development Fund and the Nova Scotia Housing Development Corporation.
- Increase compliance with the PSAAB recommendations for public sector organizations.
- Continue to monitor and evaluate the financing options available to the Corporation in an effort to improve the net income before administration fee earned by the Corporation.
- Promote integration of the Central Financial Management System with VAX applications used by the department to administer various social housing programs.

Human Resources

The Corporation does not have any employees. The Corporation's business is administered by the staff of the Housing Services division of the Department of Housing and Municipal Affairs and of the department's Financial Services Corporate Service Unit, which is housed with the Department of Business and Consumer Services.

The Minister of Housing and Municipal Affairs is the Corporation's Chairman. The

Deputy Minister of Housing and Municipal Affairs is the Corporation's President.

Communications

The Corporation issues annual audited financial statements, which are included in the Public Accounts of the Province of Nova Scotia.

Information Technology

The Corporation is continuing to integrate the provinces' Corporate Financial Management System with the department's operating systems.

Budget

1997–98 Actual	1998–99 Estimate	1998–99 Forecast		1999–2000 Estimate
$404,505	$410,000	$410,000	Corporation Recovery	$400,000

Outcomes and Outcome Measure

The success of the Corporation is measured by its ability to meet the financial requirements for past and current provincial housing program initiatives.

Its success is also measured by its ability to generate the net interest revenue estimated at the beginning of the year. Many variables affect whether or not this revenue is achieved. Factors affecting the outcome include the provincial borrowing rate, the personal decision of clients to prepay housing loans, and the interest rates charged by the private sector.

The Corporation's ability to manage the financial implications of the social housing transfer will be measured through improved financial disclosure and improved support for business decisions made by the department.

Nova Scotia Liquor Commission

Business Plan 1999–2000

Contents

Mission 183
Core Business Functions 183
Executive Summary 183
Strategic Goals and Strategies 1999–2000 189
Financial Forecasts 196
Key Operating Plans 197
Human Resources Management Plan 197
Communications Plan 199
Long Range Information Resource Management Plan 200
Customer Service Plan 202
Performance in 1998–99 204

Mission

The Nova Scotia Liquor Commission regulates the sale of liquor products under the authority of the Liquor Control Act.

The management and staff of the Nova Scotia Liquor Commission are dedicated to the principles of the mission statement.

The Nova Scotia Liquor Commission shall strive to:

•Operate in a socially responsible manner

•Provide responsive and progressive consumer service with a variety of quality-controlled products in modern facilities

•Generate revenue as a retailer through efficient financial and operating practices

•Provide its employees with progressive management, equality of opportunity and career development

Core Business Functions

Customer Service

- Distribute quality-controlled products and deliver services that are cost effective, value added, customer oriented, and market driven, through progressive and responsive facilities or outlets.

Financial Responsibility

- Generate revenue for the Province of Nova Scotia as a retailer through efficient financial and properly controlled operating practices.

Social Responsibility

- Ensure that we control the use of beverage alcohol and serve our stakeholders in a socially responsible manner by implementing and participating in programs that present responsible use messages to the public.

Executive Summary

1998–99 Fiscal Year Update

The NSLC projects that it will deliver net income of $128.2 million for the current fiscal year, an increase versus the $121.4 million budgeted for the year. Both volume and sales dollars are projected to show an increase versus the budget for the fiscal year. The very strong 1998–99 fiscal year performance was the result of volume increases that were significantly higher than the trends of recent years.

Sales dollars projections for 1998–99 of $351.9 million are projected to exceed by 6.1 per cent, the $331.8 million actually achieved in 1997–98. The NSLC has continued its conservative approach to price increases to benefit customers and assist in stemming the historical volume declines. Ongoing merchandising programs such as short-term price reductions, monthly display features, and added-value offers were implemented throughout the year, providing customer value and achieving volume and sales targets. Other major NSLC projects and programs have been executed substantially as planned for 1998–1999.

	Actual 1997–98	Budget 1998–99	Projection 1998–99
Volume (hectolitres)	666,312.2	673,316.2	698,571.8
Sales (,000s)	331,867.8	340,368.5	351,928.5
Net Income (,000s)	118,429.0	121,400.0	128,196.5

Business Environment 1999–2000

The NSLC Budget for the 1999–2000 fiscal year reflects continued growth in volume. The NSLC will continue to focus the resources of the organization on activities that are designed to improve customer service, minimize volume softness, and improve revenues. Managing these issues is of utmost priority, as they are critical to both short- and long-term NSLC revenue streams. Each 1 per cent loss in volume reduces net income by approximately $1.3 million.

The NSLC has been in a cost-containment and right-sizing mode for a number of years. These efforts have been very positive, in allowing the organization to continue to meet profit targets, and beneficial, in offsetting cost increases in areas of the business that are affected by outside influences. Activities in these areas will continue, but impact will moderate as there are few significant short-term cost reduction opportunities that can be taken without pursuing substantial structural change in the way the NSLC delivers its services.

There will also be an impact from salary and benefit costs during the 1999–2000 fiscal year due to the implementation of new labour contracts.

This environment dictates that the NSLC pursue a creative and proactive approach to its various programs while continuing the focus on cost containment in order to achieve the major objectives of the 1999–2000 business plan and budget:

- Deliver a net income of $131.5 million.
- Maintain net income operating ratios in excess of 36 per cent of sales.
- Minimize operating costs and increase effectiveness.
- Continue commitment to customer service.
- Keep focused on sales volume achievement.
- Demonstrate strong financial management.

The NSLC budget for the fiscal year 1999–2000 reflects volume increases with improvements in sales dollars, gross margin, and net income versus prior year projections:

	Projected 1998–99	Budget 1999–2000	% Change
Volume (hectolitres)	698,571.8	709,311.4	1.54
Sales (,000s)	351,928.5	362,984.1	3.14
Gross Margin (,000s)	173,551.7	179,800.3	3.60
Net Income (,000s)	128,196.5	131,535.0	2.60

Volumes

The volume projections (in hectolitres) contained in the 1998–99 budget have been forecast as follows for major NSLC categories:

	Projected 1998–99	Budget 1999–2000	% Change
Spirits	48,254.2	48,824.9	1.18
Wine	48,072.9	50,796.0	5.66
Beer	590,619.6	595,694.3	0.86
Coolers	11,625.1	13,996.2	20.40

The wine category is showing positive growth trends, and it is expected that this will continue during the 1999–2000 fiscal year. Moderate growth is projected for all categories. The NSLC will continue to execute marketing and merchandising programs that will assist in stabilizing volume over both the short and longer term.

Sales Dollars

Sales dollars of $362.9 million are budgeted to show a 3.1 per cent increase from the projected $351.9 million in fiscal 1997–98. Budgeted sales dollars reflect category mix projections and continued plans to use merchandising programs that support purchases of higher quality, higher profit products. In addition, emphasis will continue to be placed on exploring increased volume potential in the wine and cooler segments. Sales of champagne and higher-end sparking wines, while not a large segment in Nova Scotia, are expected to be positively affected by year 2000 activities.

Net Operating Income

Budgeted net income is projected to increase in the 1999–2000 fiscal year. The budgeted increase of $3.3 million will result in a net income of $131.5 million, versus a projection of $128.2 million for the current fiscal year.

Operating Expenses

Total net operating expenses of $48.3 million show an increase over the $45.4 million projected for 1998–99. Compensation increases due to the implementation of new union contracts are a major factor in this increase. In addition, there will be upward pressure, although this is expected to be moderate, on other costs associated with the operation of a retail store network. Management will continue to pursue any further opportunities for short- or long-term cost reductions during the course of the budget year. The NSLC has made significant improvements in cost containment and efficiency over the past few years while still investing in retail facility improvement and customer service programs. Further gains of significant magnitude will be increasingly difficult to achieve as the organization is very close to its right-sizing targets.

Capital spending is budgeted at $ 2.5 million, a decrease from the budget of $3.9 million for 1998–99. The bulk of capital spending at the NSLC is directed at maintenance and improvements in the store system to maintain the asset value and at projects that lead to increased efficiency with relatively short payback periods, such as store right-sizing at the time of lease expiries, which is part of the NSLC long-range physical resource plan.

The 1999–2000 budget has again been developed with a conservative approach to NSLC-initiated price increases. Sales and gross margin performance will be closely monitored to make sure that the NSLC is not falling behind target. If sales projections prove to be too aggressive, pricing options along with expenditures will be reviewed to ensure the budgeted net income is delivered. Normal ongoing pricing activity, reflecting manufacturers' price changes, exchange fluctuations, freight adjustments, etc., will be implemented in the normal fashion. The NSLC will continue to utilize merchandising programs and work with suppliers to mitigate upward price pressures.

Opportunities/Strategies

The NSLC's focus is continuous improvement throughout the organization in order to meet the immediate needs of delivering the 1999–2000 budget and pursue longer-term opportunities and strategies. There are a number of key areas that will be examined on an ongoing basis:

- **Sales activities** that reflect a retail staff focus on volume-building merchandising activities; recognize the needs of different segments of the customer base; and provide a product mix that best addresses the shopping profile, space utilization, and profit opportunities in each store location.
- **Store locations** and formats that address different customer service requirements and are consistent with the NSLC short- and long-term physical resource strategic plan.
- **Merchandising activities** that are consistent with a category management approach; generate excitement; are responsive to new trends; meet customer expectations; and provide opportunities to maximize revenue generation.
- **Employee training programs** that are effective and delivered on a timely basis; directed at organizational or individual needs and focused on enhancement; or supportive of the key retail sales activities of the organization.
- **Technology improvements** that are driven by external and internal customer needs; pursue efficiency and profit objectives; and provide more effective management analysis.
- **Organizational structure** and employee composition that is team oriented; effective in a changing environment; and flexible enough to meet increased demands with the same or fewer resources.

Long Term Projections (1999–2000 to 2002–2003)

Environment

The retailing and marketing environment for beverage alcohol products is not projected to undergo any significant changes during the period of this plan. The beverage alcohol industry is a mature one with any gains from a volume point of view being those of a moderate incremental nature versus significant changes in growth patterns. The wine sector of the industry is expected to continue to provide some growth opportunity. Beer and spirit volumes have been stabilized and offer some opportunity for growth, but this is expected to be minor in nature.

There are indications of improvement in the economic environment, and this has had a positive impact on current year performance. This is not projected to have any significant ongoing impact on beverage alcohol sales, as other consumer spending needs will take priority over items such as beverage alcohol. These factors along with demographics and health and lifestyle issues all point to continued moderation in the consumption of beverage alcohol in the years ahead.

Projection

This environment continues to point to primarily flat trends in volume, sales dollars, and net income. The sales projections also continue to reflect moderate NSLC-initiated price increases in order to minimize further volume erosion. A continuation of efforts to contain costs is also an integral part of these projections.

The NSLC will continue to review progress against these assumptions and adjust its plans accordingly to take advantage of any customer service, volume. or cost reduction opportunities. The four-year projections outlined below are a reflection of the current and anticipated market environment and assume a similar NSLC structure during the life of the plan:

	1999–2000	2000–2001	2001–2002	2002–2003
Volume (Hectos)	709,311.5	716,404.6	723,568.6	730,804.3
Sales ($)	362,984.1	369,285.6	376,658.9	383,233.8
Net Income ($)	131,535.0	134,184.3	137,359.7	140,135.0

Strategic Goals and Strategies 1999–2000

NSLC long-term strategy will be to focus on continuous improvement throughout the organization in order to meet short-term needs and also to pursue longer-term opportunities and strategies.

Sales/Volume/Net Operating Income

Objective

Pursue opportunities to increase volume growth and dollar sales in a stagnant or declining beverage alcohol market and improve absolute profit ratios and expense ratios from the base year.

Strategies:

Goal I

Capitalize on the existing growth needs and market development opportunities for wine.

Programs/Projects

Port of Wines Program: To maximize customer service, bottom-line profit, and public relations opportunities. The target market for the Port of Wines is being strategically redefined to draw in the larger general market wine consumer. The marketing elements of product/services mix, price, promotion, and place will be fine-tuned to attract the larger general market wine consumer. Also, the Port of Wines concept reflects a very positive image for the NSLC. This opportunity will be maximized. Measurements for success include positive customer comments, increased volume in premium profit wines, increased profit per litre in wine category, and positive public response to corporate image.

Goal II

Capitalize on the existing growth of the cocktail category.

Programs/Projects

Ready-to-Drink Cocktails: To maximize sales volume and gross profit opportunities in this category by expanding the mix, executing great merchandising activity, and ensuring good visibility in our retail outlets. Measurements for success include increased sales volume and gross profit in this category.

Goal III

Provide high levels of promotional activity for beer and take action to develop the specialty beer segment.

Programs/Projects

Beers of World Program: To maximize gross profit and customer satisfaction in the international beer category by expanding the mix, stimulating supplier promotional activity, and ensuring the location, visibility, and access to the category within the retail store is highly merchandisable. Measurements for success include increased sales volume and gross profit in this category.

Goal IV

Keep NSLC-initiated price increases to less than 1 per cent per annum.

Programs/Projects

Pricing Policy and Procedures: To review the NSLC pricing policy and procedures on a continuing basis to fine-tune opportunities for increased revenue and to ensure the liquor industry is treated fairly with consistent and impartial performance. It is important to ensure that NSLC pricing policies and procedures are conducive to providing customers with value-priced products while maintaining a level of profit required to operate the business effectively and efficiently. Measurements for success include annual business plan review with major suppliers, NSLC-initiated price increase of less than 1 per cent per annum, supplier price adjustments that include increases and decreases, and regular monitoring of pricing factors.

Goal V

Develop programs that will move an increasing share of volume into higher-priced products.

Programs/Project

Merchandising Management Program: To pursue opportunities to increase volume and profit in a socially responsible manner by encouraging the sale of more profitable categories and brands, by supporting impulse-at-cash opportunities, by positioning beverage alcohol as a meal complement, especially wine (Food for Thought) and liqueurs, and by positioning beverage alcohol as a gift item, such as Father's Day, Mother's Day, Christmas Gifts, etc. Measurements for success include increased and active participation by all suppliers in the various programs, increased gross profit by way of premium profit brands, positive customer comments, and increased merchandising revenue.

Goal VI

Invest capital only in property or technology that increases revenue, reduces costs, or is mandatory to meeting business objectives.

Programs/Projects

Energy Management Program: To reduce energy consumption and standardize to new energy efficient lighting technologies. Measurements of success include reduced energy costs, reduction of kilowatt-hours of energy, and meeting target dates assigned at the beginning of the program/project and within budgeted amount. This is an ongoing process.

Implementation of Upgraded Point of Sale (POS) Technology: To incorporate the use of UPC, integrate debit and credit card transactions; and incorporate marketing and merchandising business activities that will reduce expenses, increase revenues, and streamline processes. Measurements for success include all retail outlets upgraded, integration of debit/credit, scanners implemented, and new merchandising/marketing information activities implemented.

Product Management: To integrate all aspects of our corporate product management system within one all-encompassing computer application. The benefits will be a smooth, continuous flow of information between departments that minimizes duplication of tasks and data input errors and increases consistency of reporting. Other components of this program will be integration of warehouse bar coding, review of shipping and receiving practices, and inventory management principles. Measurements for success include reduced lead-time to perform specific functions, elimination of redundant and non valued activities, reduction in manual errors, and well-defined measures of performance established.

Bar Code /UPC: To integrate serial container codes (SCC) for use on shipping containers in Phase 2 of this multifaceted program. This phase is heavily geared to gaining efficiencies through the entire supply chain, including shipping, receiving, cross docking, and other warehousing practices. Milestones will include changes to software programs, acquisition of scanning technology for the warehouse and supplier partnering. Measurements for success include meeting target dates for software modifications, increase in the number of compliant suppliers, and decrease in shipping and receiving errors.

Goal VII

Pursue changes to process and functional structure on an opportunistic basis to increase efficiency.

Programs/Projects

Focused Retail Execution: To develop specific tasks related to improvements in end-user processes. Measurements for success include increased productivity at the retail level, reduction in lead times for completing identified user processes, and reduction in customer complaints.

Store Business Development Program: To continue to review each retail unit to ensure we are generating maximum productivity and are enhancing the stores retail and social contribution to their specific trading areas, while maintaining our overall commitment to the NSLC's Mission Statement. Measurements for success include positive customer comments, increased public awareness of social responsibilities, and improved profits.

Distribution Information System: To increase productivity and reduce administrative costs by eliminating report duplication and redundant procedures through the integration of various divisional and corporate operating systems. Measurements for success include the amalgamation of various intra-departmental processes and procedures, implementation of a divisional database system, and decreased freight costs through an accurate forecasting and rating module.

Alternative Retailing Strategies: To continue to develop alternative retailing strategies to provide an optimum level of service for beverage alcohol consumers in the Province of Nova Scotia. Measurements for success include increased positive customer comments, increased revenues, and improved public image.

Customer Service

Objective

Pursue opportunities and programs that will improve customer service and profitability while also enhancing the image of the NSLC as a top quality retailer.

Goal I

Provide a product mix and selection that is broad enough to meet the majority of customer needs at a reasonable cost.

Programs/Projects

Enhanced Store Based Inventory Management: To improve just-in-time deliveries, generating maximum service levels with improved turnover rates. Measurements for success include higher inventory turnover rates, increased service percentage, and lower customer complaints about product availability.

Category Management Program: To maximize average gross profit per product per category, to maintain a competitive retail environment, to optimize customer satisfaction in product selection, and to ensure equitable treatment of all suppliers and honour all applicable trade agreements. Measures for success include increased customer satisfaction in regards to product selection, greater percentage increase in gross profit than percentage increase in volume, listing approval that is consistent with predetermined guidelines, and competitive market.

Goal II

Continue to provide a wide selection of promotional purchase opportunities and pursue innovative ways to encourage customer purchases.

Programs/Projects

Millennium Project: To ensure that as a retailer the NSLC develops and executes a millennium program that will hype the event, excite the consumer, and satisfy the consumer's demand for celebratory product. Measurements for success include the consumer's demand for the sparkling and champagne products and our ability to satisfy this demand.

Merchandising Management Program: To pursue opportunities to increase volume and profit in a socially responsible manner by encouraging the sale of more profitable categories and brands, by supporting impulse-at-cash opportunities, by positioning beverage alcohol, especially wine and liqueurs, as a meal complement and by positioning beverage alcohol as a gift item, such as Father's Day, Mother's Day, Christmas Gifts, etc. Measurements for success include increased and active participation of all suppliers in the various programs, increased gross profit by way of premium profit brands, positive customer comments, and increased merchandising revenue.

Goal III

Provide customer-friendly store locations that offer a mix of full service and boutique type operations where appropriate.

Programs/Projects

Physical Resource Plan: To determine the proper and appropriate location and size of our retail outlets. Measurements for success include increased sales per square foot, disposal of surplus space, reduction of occupancy costs, increased ratio of retail areas to warehouse areas, and meeting targets. This is an ongoing program.

Strategic Site Location: To proactively perform retail organizational review to ensure increased customer service and satisfaction while increasing profits through proper and appropriate store location. Measurements for success include a standard set of criteria for store site selection, incremental profit, and improved expense to profit ratios at the new locations.

Goal IV

Improve communications to build positive awareness of the many services and programs offered by the NSLC.

Programs/Projects

Management and Staff Retail Skill Development Workshops: To develop key retail management administrative skills and staff customer skills to ensure store readiness geared to excellent merchandise availability, in-store displays, and customer service. Measurements for success include training program participation, more positive customer comments, implementation of merchandising activity, and quality of retail outlet displays.

Website: To develop an NSLC website that will enhance communication among the NSLC, its customers, and the public. Measurements for success include the number of visitors to the website and the website survey results.

Customer Connection: To develop a monthly retail customer newsletter that will provide customers detailed information on new products, general product category information, sales and promotional activities, etc. Initially the newsletter will be piloted in a few retail stores. Eventually it may be delivered to all our retail stores and/or through our website. Measurements for success include the consumer's response to the vehicle.

Social Responsibility Programs: To execute ongoing social responsibility programs and to develop new ones, such as Check 25 launched in 1998, where appropriate, in order to ensure that the NSLC operates in a socially responsible manner as a core business function. Measures for success include increased public awareness in the responsible use of alcohol, continuation of present programs, and alliances with special interest groups.

Goal V

Pursue new product or other programs that will enhance customer satisfaction.

Programs/Projects

Vendor Performance System: Vendors are a vital component of the NSLC's supply chain. This program will develop a structured approach to monitoring, evaluating and reporting a vendor's performance in a number of strategic areas. The objective is to identify opportunities for improvement and to gain efficiencies and cost reductions. Measurements for success include the development of criteria, communications with suppliers and their acceptance of the criteria, and supplier tracking documentation.

Goal VI

Develop and deliver effective and timely internal training programs that are retail sales focused and based on organizational needs with an emphasis on high potential candidates.

Programs/Projects

Customer Service Training Modules: Continued focus on innovative approaches to improve customer service within the store environment. This is combined with a commitment to provide a clean, friendly upbeat environment to shop in. Measurements for success include the completion of modules, enhanced thematic in-store signing, continuous display activity, and positive customer comments.

Financial Forecast: ($,000s)

Actual 1996–1997	% to Sales	Actual 1997–1998	% to Sales	Budget 1998–1999	% to Sales		Budget 1999–2000	% to Sales
655,000		***666,312***		***698,572***		***Volume (Hectos)***	***709,312***	
323,641	100.0%	331,868	100.0%	351,929	100.0%	**Sales**	362,984	100.0%
162,917	50.3%	167,563	50.5%	178,377	50.7%	**Cost of Sales**	183,184	50.5%
160,724	**49.7%**	**164,305**	**49.5%**	**173,552**	**49.3%**	**Gross Profit**	**179,800**	**49.5%**
						Expenditures		
30,682	9.5%	30,969	9.3%	31,772	9.0%	Store Operating Exp.	33,170	9.1%
3,832	1.2%	3,563	1.1%	3,899	1.1%	Warehousing & Distribution	3,725	1.0%
3,494	1.1%	5,121	1.5%	3,808	1.1%	Depreciation Expense	3,443	0.9%
9,826	3.0%	9,890	3.0%	9,947	2.8%	Administrative Exp.	8,439	2.3%
947	0.3%	1,157	0.3%	516	0.1%	Other Expense	1,061	0.3%
5,058	1.6%	5,828	1.8%	5,316	1.5%	Other Revenue	2,171	0.6%
897	0.3%	1,005	0.3%	729	0.2%	ERIP Expense	598	0.2%
44,620	**13.8%**	**45,877**	**13.8%**	**45,355**	**12.9%**	**Total Expenditures**	**48,265**	**13.3**
116,104	**35.9%**	**118,429**	**35.7%**	**128,197**	**36.4%**	**Net Operating Income**	**131,535**	**36.2%**

Key Operating Plans

Human Resource Management Plan

Objectives

- To obtain and retain quality employees who are committed to the organization
- In order to meet that goal it is necessary to recruit, promote, train and provide a safe workplace for NSLC employees.
- It is incumbent upon the organization to provide a set of terms and conditions of employment for NSLC employees while maintaining the goals of the organization.

Recruitment

The Nova Scotia Liquor Commission will strive to recruit the best qualified candidates for all positions and shall continue to ensure that our obligations under the Employment Equity program are met.

Promotions

The NSLC will strive to ensure that staff are promoted on the basis of skill/ability and will endeavor to promote the best qualified candidates.

Training and Staff Development

In these periods of reduced staff levels it is exceedingly important that all employees receive the necessary training to carry out the functions of their positions.

The NSLC will present the opportunities for staff to receive the necessary tools to carry out their job duties and to prepare them for advancement.

Occupational Health and Safety

The Nova Scotia Liquor Commission fully supports health and safety initiatives and will continue to ensure that the work place is safe and that the staff are trained to perform their job in a safe manner.

The Nova Scotia Liquor Commission will continue to support the Joint Occupational Health and Safety Committee and to provide the members with the necessary tools and training to fulfill their mandate.

The NSLC will continue to explore and implement programs, such as the Prevention/Early Intervention Project, which will aid employees in an orderly return to work following an absence.

Affirmative Action

On December 11, 1996 the Nova Scotia Liquor Commission entered into an Affirmative Action Agreement with the Nova Scotia Human Rights Commission. This agreement reflected the formalization of the ongoing policy at the NSLC.

We are committed to developing a workforce through a combination of recruitment, hiring and training practices, that reflects the composition of the general labour market population.

Communications Plan

Objectives

- To minimize communication problems.
- To maximize communication opportunities.

Strategies

- Proactively search for new communication opportunities.
- Fine-tune and continue to execute communication opportunities/ vehicles/ events with key audiences.
- Fine-tune and continue to execute media relations policies and procedures.
- Fine-tune and continue to execute an issues action program.

Programs/ Policies and Procedures

- *Issues Action Program*

All senior management are required to identify any issues or events in their area that might precipitate a media inquiry. The issue or event must be immediately documented and sent to the media spokesperson for review.

- *Media Relations Policy and Procedure*

  All media inquires are sent to NSLC media spokesperson.

  NSLC operational issues are referred to NSLC management.

  Government policy issues are referred to the Minister in Charge of the Liquor Control Act, where appropriate.

- *Public Relations Program*

  Target audiences/ communication vehicles/ events.

Communications Plan

Target Audiences	**Key Messages**	**Formal Vehicles**
Retail Customers	The NSLC will strive to provide responsive and progressive service with a variety of quality-controlled products in modern facilities	*Consumer Guide*; Christmas catalogue; newspaper; radio/TV; website (under development). Customer connection Indoor signage.
Licensee Customers	The NSLC will strive to provide responsive and progressive service with a variety of quality-controlled products in modern facilities.	*Licensee Line*; monthly price lists.
Public	The NSLC will strive to operate in a socially responsible manner.	Press releases; editorials. Annual report.
Government	The NSLC will strive to generate revenue as a retailer through efficient financial and operating practices.	Annual financial business plan Annual report.
Suppliers	The NSLC will treat the liquor industry fairly, with consistent and impartial performance in such areas as advertising, shelving policies, in-store merchandising, promotions, listings, and pricing.	*Open Line Newsletter*.
Employees	The NSLC will strive to provide its employees with progressive management, equality of opportunity and career development.	*Spirited Informer*; employee bulletins.
Union	The NSLC will encourage open and fair relationships with all union and non-union employees.	Human Resources and division directors.

Long Range Information Resource Management Plan

Executive Summary

The Long-range Information Resource Management Plan supports NSLC's long-range strategy to focus on continuous improvement throughout the organization in order to meet short-term needs and to pursue longer-term opportunities and strategies as a retail organization. Information systems (hardware and software) are supported by the Systems Department of the Finance and Systems Division. Their role is to coordinate all of NSLC's technology requirements and needs. This ensures that there is efficiency, consistency, compatibility, reliability, and overall functionality not only throughout the NSLC but also with our stakeholders, customers, and partners. The strategies and objectives are reviewed annually to ensure that they are consistent with organizational goals and objectives. Keeping up to date on trends in the industry as well as what others in the retail business are doing ensures that the most cost-effective solutions are recommended and implemented. This includes other government departments as well.

Long Range Goal:

To develop a fully integrated, efficient and reliable information system infrastructure for the NSLC; a true client/server environment.

Information System Objectives

Hardware:

Objective: To ensure that the investment in hardware supports current and future organizational structures and functions that are required to meet overall goals and strategies.

Software:

Objective: All software applications will be compatible to avoid or eliminate duplication of effort and duplicate sources of entry.

System Support:

Objective: To ensure that system support staff are technically skilled to effectively provide support for computer assets and that appropriate and effective procedures are in place to safeguard information system assets, and also to ensure the continuity of essential business operations.

Training:
Objective: The NSLC will support computer literacy training and ensure that users and system staff are equipped with the appropriate tools and training to best support their functions and work effort.

Customer Service Plan

Long-Term Objectives	Short-Term Strategies	Programs
1. To maximize customer satisfaction in product mix (in selection, price and availability).	1. a) Develop and set listing and delisting standards based on customer needs and profit. (Selection)	Category Management Program (Annual Review)
	b) Develop and set Service Level Standards and Inventory Turn Standards for stores and warehouse. Develop strategies/plans to meet those goals. (Availability)	Inventory Management Program (Annual Review)
	c) Encourage competitive activity among suppliers in all categories relative to price and value to the consumer. (Price)	Category Management Program Merchandising Management Program (Annual Review)
	d) Set sales and gross profit/category goals for Merchandising Services Division. Develop strategies/plans to meet those goals (Price)	Sales Management Program (Annual Budget)
	e) Set sales and gross profit/store goals for Store Operations Division. (Price)	Sales Management Program (Annual Budget)
	f) Prioritize expenses in terms of customer needs and cost containment. (Price)	Financial Program (Annual Budget)

Long-Term Objectives	Short-Term Strategies	Programs
2. To provide a stimulating retail shopping environment in store.	2. a) Select and execute displays that will be visually stimulating and provide value to the consumer.	Select–Merchandising Management Program Execute–Merchandising Management Training Program
	b) Design and create exciting and merchandisable retail shopping environment in stores.	Store Design Program (Annual Review)
3. To improve customer satisfaction in commun-icating product knowledge to customers and other service related areas.	3. a) Develop and execute personal selling techniques supported with product knowledge information for store staff and other customer service employees.	Personal Selling Training Program (Annual Review)
	b) Develop and execute innovative retail services for customers.	Customer Service Programs (Annual Review)
4. To maximize customer satisfaction in store location.	4. a) Develop and set standards for distance between stores and profitability standards for stores.	Store Location Program (Annual Review)
5. To maximize customer satisfaction in store hours.	5. a) Develop and set standards for store hours in relation to customer traffic, labor costs and sales/hour.	Store Hours Program (Annual Review)
6. To improve customer satisfactionin handling customer concerns in all aspects of the organization.	6. a) Develop and execute techniques in handling customer concerns for store staff and other customer service representatives.	Handling Customer Concerns Training Program (Annual Review) (Consumer & Licensees)

Performance in 1998–99

Programs/Projects

- *Develop alternative retailing strategies.*

New and innovative customer service delivery programs such as the bottle your own wine program, drive through service program, and NSLC retail outlet within a grocery store program have been expanded in recent years with favourable comments by customers/public and has contributed to increased financial results and improvement in internal performance measurements. These types of strategies will continue to be explored in the future.

- *Strategically redefine the target market for the Port of Wines.*

The target market for the Port of Wines was strategically redefined in the marketing mix areas of product/services mix, price, promotion, and place and also to attract the larger general market wine consumer. This has been evident in the volume growth in this category over the last few years. Our Port of Wine Festival was again successful and exceeded previous years' results and target expectations. Our overall corporate image was enhanced, and this program will continue in the next fiscal year.

- *Review pricing policy and systems to fine-tune opportunities for increased revenue.*

All financial objectives have been met and pricing procedures have ensured that the liquor industry is treated fairly with consistent and impartial performance. Pricing policies were adjusted to ensure the customers were provided with value-priced products and with better value on larger-size products, while maintaining a level of profit required to operate the business effectively and efficiently. This program continues for the 1999–2000 fiscal year.

- *Ongoing merchandising management program*

Merchandising program activity has increased over the last year, thereby providing additional revenue for government and a more exciting retail environment for the customer and supplier. Impulse items at cash were expanded. This is an ongoing program.

- *Ongoing implementation of the energy management program.*

All stores identified in the plan have been completed or will be completed before the end of this fiscal year. Savings that were identified will be realized. Monitoring of the energy management program is an ongoing program.

- *Integrate product management system.*

A thorough review of current processes, systems, and applications was performed to ensure that the right solution and the appropriate objectives would be met. Many benefits were identified and will be part of the evaluation of a new integrated solution. Recommendations made in the assessment phase will be implemented as this project is carried out during the next fiscal year.

- *Implement UPC/SCC.*

Scanners were installed with the new POS Retail Information System. There has been a significant increase in the number of compliant suppliers. Errors have also been reduced at the retail store locations that have implemented this technology. Implementation of SCC (Serial container code) for warehouse purposes will take place during the next fiscal year in conjunction with the new product management system.

- *Continue with improvements to end-user processes; focus retail execution.*

Improvements have been made in a number of retail tasks, in particular those relating directly with the customers, inventory, and merchandising. Customers benefited from the right mix of products, quantities, and displays.

- *Review retail activity for maximum productivity and social contribution.*

Community-oriented programs/projects continued to improve corporate image in many areas of the province. Retail store–related tasks were assessed to ensure that productivity was enhanced and more time was spent with the customer.

- *Eliminate report duplication and redundant procedures.*

The integration of various divisional and corporate operating systems has been completed, resulting in decreased freight costs through an accurate forecasting and rating module. These efforts will continue during the next fiscal year.

- *Improve records management system.*

The focus for the 1998–99 fiscal period was to design a comprehensive and user friendly central storage and retrieval system. This will be completed in 1998–99 and includes standardized systems with other government departments and a more streamlined system of record retention.

- *Enhance store-based inventory management system.*

Customer service levels were increased during the year as evidenced by internal audit reviews.

- Ongoing category management program.

Gross profit per litre objectives have been achieved in most categories over the last year while also maintaining a competitive retail environment in all categories. These efforts help to optimize customer satisfaction. This is an ongoing program.

- *Complete exterior signage program.*

All stores identified and objectives have been met for the current fiscal year.

- *Ongoing implementation of physical resource plan.*

All retail outlets identified for this fiscal year will be completed as planned. The rightsizing of our retail outlets has increased sales per square foot, allowed for the disposal of surplus space, reduction of occupancy costs and increased ratio of retail area to warehouse areas. This program requires continuous evaluation to ensure that space is being fully utilized resulting in the rightsizing of facilities.

- *Research strategic site locations.*

The criteria for store site selection have been refined The criteria are used to increase customer service and satisfaction while increasing profits. Improved expenses-to-profit ratios have been achieved for those stores that were relocated this fiscal year. Examples are the move from Hollis Street to the Queen Street location in Halifax and the new Port of Wines location.

- *Develop key retail management skills and staff customer skills.*

Training modules were revamped and new ones developed to meet the goals of this strategy/objective. Participation in the training modules increased from previous years. The majority of the modules are now available through correspondence study. The modules will be reviewed and updated on an annual basis.

- *Execute ongoing social responsibility programs and develop new ones.*

We continued to support ongoing programs such as Safe Graduation, Don't Drink and Drive, Blue Thunder, and various other local, provincial, and national programs. One program, Plan Ahead: Get Home Safe, was expanded from one location to all stores in the province. Participation by students in grades 4–8 from 188 schools and the commitment by the schools, RCMP, and NSLC staff aided to the success of this program.

- *Redefine strategy for the NSLC Bottle Return Program.*

After a thorough review and assessment of the NSLC Bottle Return Program with the Resource Recovery Fund Board, it was determined that it would be more feasible and cost beneficial for this program to be operated by the RRF Board. The program will be turned over March 1, 1999.

- *Enhance Customer Service Training Modules.*

This module was completed during the year, and store staff have participated in the training. In-store displays are very evident in all store locations. Positive customer comments have increased over the last year, and this program will continue for 1999–2000.

- *Continue carrying out Year 2000 compliance plan.*

Efforts have been ongoing over the last two years to ensure all business critical systems/processes are year 2000 compliant. All assessments have been completed, all systems have been tested, and all major suppliers/vendors have been contacted. The plan will be complete by March 31, 1999.

Nova Scotia Municipal Finance Corporation

Business Plan 1999–2000

Contents

Introduction .211
Mission .212
Strategic Goals .212
Core Business Functions .213
Performance in 1998–99 .214
Priorities for 1999–2000 .216
Human Resources .217
Communications .217
Information Technology .218
Budget .219
Outcomes and Measures .220

Introduction

The Nova Scotia Municipal Finance Corporation (MFC) was established by an act of the Legislature of the Province of Nova Scotia in 1979. The MFC concept is widely used in Canadian provinces and American states as a cost-effective, efficient means of raising long-term debenture funds to finance municipal capital projects. Studies have shown that smaller municipalities with lower credit ratings receive the greatest interest savings from MFC participation and that all municipalities can benefit from savings in the cost of administration on outstanding debenture issues.

The Corporation's purpose is to provide low-cost financing to its clients, which include municipalities, municipal enterprises, school boards, and hospitals. All municipalities, municipal enterprises, and school boards must finance, and hospitals may finance, their external capital requirements through the Corporation. Exceptions occur for capital projects funded directly by the Province of Nova Scotia (e.g., most school board capital projects), short-term financing, and certain projects for which funds may be borrowed from other governments. Under current provincial policy, the Corporation funds municipal and municipal enterprise capital projects and some school board projects.

The affairs of the Corporation are managed by a Board of Directors appointed by the Governor-in-Council. Forty per cent are appointed on the recommendation of the Union of Nova Scotia Municipalities. The full-time staff of the Corporation receives support and resources from the provincial Departments of Finance, Justice, and Housing and Municipal Affairs.

As of the 1997–98 fiscal year end, the Corporation had $638,140,000 in debenture issues and $631,772,000 in loans outstanding. Staff of the Corporation directly administers debentures and loans, with assistance from the Nova Scotia Department of Finance. The Corporation also administers sinking fund trusts valued at $155,100,000 on behalf of municipal units for non-serial issues.

Mission

To utilize credit enhancement and debt pooling techniques to meet clients' approved funding requirements at the lowest possible cost.

This mission is achieved through the issuance of debentures. The Corporation pools municipal borrowing requirements, which eliminates the need for individual municipalities to negotiate and administer their own debenture issues. Under the MFC arrangement, the debt issuance functions remain in the public sector domain.

The benefits (both in terms of interest rates and administration of issue expenses) of pooling individual municipal capital borrowing requirements would be lost if each municipal unit were to access the market directly. If the province were to raise the funds and make loans directly to municipal units, the function would become provincial and not municipal. The formation of the MFC was initiated by the 1975 "Proposal for Municipal Reform" study sponsored by the Union of Nova Scotia Municipalities. Forty per cent of the Board of Directors is appointed on the recommendation of the UNSM, a reflection of the desire to have strong municipal representation in the affairs of the Corporation.

Strategic Goals

Goal I

To work with clients, the province and the investment community in providing capital financing to our clients at the lowest cost of funds available for their particular debt structure and timing needs.

Goal II

To explore and develop new methods and products for meeting the needs of our clients through contact with the investment community, the public sector and academic research.

Goal III

To promote responsible and professional approaches to municipal capital project planning and financing (jointly with the department of Housing and Municipal Affairs).

Core Business Functions

- Providing low cost funds to clients *(supporting the provincial goals of fiscal stability and economic growth)*
  - Provide financing for clients' approved funding requirements by pooling these requirements and issuing debentures. Separate issues can be arranged for single capital projects in amounts sufficient to permit a public issue, provided they do not preclude a pooled issue for other clients.
  - Administer debt issues and loans to further reduce client borrowing expenses. This involves the collection and administration of loans from clients and the payment of interest and principal on debentures outstanding. Other administrative functions include the management of computerized loan and debenture systems, the issuance of income tax receipts to investors, budgeting, accounting, reporting, and office administration.
  - Administer sinking fund trusts on behalf of clients. A number of the outstanding debenture issues are of the bullet type, with no principal payments until the end of the term. Sinking fund trusts exist for each of these debenture series and these trusts are administered by the Corporation. The administration includes security purchases, administration of investment income from securities held, analysis of the adequacy of current levels of installment payments to meet loan repayment requirements at maturity, fund valuation at year-end and at maturity, reporting and accounting.
  - Ensure that an acceptable process is in place for evaluating the creditworthiness of the loans made by the Corporation.
- Exploring improved methods and products in meeting client needs *(supports provincial goals of fiscal stability and responsible government)*.
  - Maintain communication 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.
  - Prepare and review policy recommendations regarding the Corporation's use of financial innovation techniques and instruments.
  - Assist local governments in evaluating alternative methods of raising

capital project financing including partnerships with the private sector.

- Encouraging municipal governments to adopt and maintain a professional approach to capital project planning and finance. *(Supports provincial goals of fiscal stability, economic growth and social responsibility).*
  - Educate municipal clients on the topic of capital finance through seminars and field visits.
  - Work with the Department of Housing and Municipal Affairs in promoting an informed and responsible approach to capital planning and finance.

Performance in 1998–99

- Providing low cost funds to clients.
  - Issued $105,067,000 in debentures and on-loaned a similar amount to clients.
  - Responded to client needs in a timely fashion by pricing issues within five to six weeks of formal municipal requests.
  - Issued $2,500,000 in short-term financing pending issuance of a debenture.
  - Administered $638 million in outstanding debentures, which included the payment of debenture interest.
  - Administered $632 million in outstanding loans to municipalities, school boards, and hospitals.
  - Invested and administered pooled sinking fund trusts valued at $155 million.
  - Compared favourably with other Canadian MFCs on the basis of administration costs per loan ($0.28/$1000 vs. $0.34/$1000 average), new issue placement ($1.19/$1000 vs. $4.29/$1000), and sinking fund administration costs ($1.13/1000 vs. $2.64/$1000) to service ratios.
  - Coordinated interdepartmental research on the topic of credit enhancement options for municipal special-purpose body debt issuance.
  - Undertook a review of the sinking fund investment policy.

- Prepared an annual assessment of markets, debentures, loans, and corporate activity.

• Explore improved methods and products in meeting client needs.

- Presented a discussion paper to the Board as a result of the interdepartmental research mentioned above. The topic was discussed at a board meeting, at which time the directors reviewed a list of financing options that could be utilized to provide credit enhancement and financing for special-purpose body debt issuance.

- Was represented on an interdepartmental team reviewing the appropriate way to fund community-use projects in P3 schools. The Board identified the need for and initiated the review team.

- Was represented on a financial evaluation committee for a large municipal capital project.

- Held discussions with directors of a provincial Crown corporation on their financing needs and options.

- Held meetings 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 the Ontario Ministry of Municipal Affairs and Housing to discuss trends and developments in municipal capital financing.

- Set up a NSMFC website.

• Encourage municipalities to adopt and maintain a professional approach to capital project planning and finance.

- Conducted 15 field visits during the year.

- Worked with staff of the Department of Housing and Municipal Affairs and/or municipal staff in developing responses to municipal capital financing proposals.

- Responded to the information needs of municipalities and the investment community.

- Established a committee to study the merits of introducing a pooled lease-financing program to Nova Scotia municipalities.

Priorities for 1999–2000

- Provide low-cost funds to clients.
  - Meet all approved requests for debenture funding by issuing up to $100,000,000 in debentures and on-loaning a similar amount to municipal units and enterprises.
  - Meet the capital funding needs of non-municipal borrowers when requested to do so by the Province of Nova Scotia.
  - Meet all requests for short-term financing pending issuance of a debenture.
  - Administer $660 million in outstanding debentures, which includes the payment of debenture interest.
  - Administer $660 million in outstanding loans to municipalities, school boards, and hospitals.
  - Invest and administer sinking fund trusts valued at $150 million.
  - Continue to compare favourably with other MFCs on the basis of administration costs per loan, new issue placement, and sinking fund administration costs to service ratios.
  - Prepare an annual assessment of markets, debentures, loans, and corporate activity.
- Explore improved methods and products in meeting client needs.
  - Consult with municipal officials on capital financing needs and the preferred features in the debentures issued through the MFC.
  - Consult with clients on additional financial services that they may require.
  - Establish a committee to study the merits of financial innovation regarding the introduction of new products and services.
  - 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 local government financial product needs and the optimum means of satisfying them.
  - Maintain the NSMFC website.

- Encourage municipalities to adopt and maintain a professional approach to capital project planning and finance.
  – Communicate with existing and future clients.
  – Collaborate with staff of the Department of Housing and Municipal Affairs in developing responses to municipal capital financing proposals.
  – Respond to all inquiries on interest rate levels, projections, and funding options.

Human Resources

In order to provide the level of staff resources required to meet all priorities of the Corporation, the following steps should be taken.

- Maintain the current emphasis on utilizing up-to-date information technology, which recognizes that improvements in technology are essential to the effectiveness of the operation.
- Maintain staff and resource support from the Departments of Finance, Housing and Municipal Affairs, and Justice in existing operational areas. This support has been excellent in the past and continues to be required if all priorities are to be met.

Communications

The Corporation's key message is its function; i.e., to provide municipalities, municipal enterprises, and other categories of public borrowers selected by the province, with approved funding at the lowest possible cost. The audience for this message is our client base and the investment community.

Information Technology

Technology is used as an enabler of efficient and effective service delivery. Benefits to the Corporation in debt and general administration are provided through direct connections to the LAN at the Department of Housing and Municipal Affairs and debenture and loan administration program at the Department of Finance. It is essential that the resources continue to be made available for upgrades in equipment and software as well as staff training.

The Corporation has addressed the year 2000 computer problem through initiating inquiries with the two provincial departments that provide its information technology services. Both departments have indicated that the issue is being satisfactorily resolved.

Budget

The Corporation's administration budget for the next four years is as follows:

Budget 1998–99		*Budget Request 1999–2000*	*2000–2001*	*2001–2002*	*2002–2003*
	REVENUES				
197,132	Non-government	210,054	225,747	238,601	252,196
197,132	**TOTAL REVENUES**	**210,054**	**225,747**	**238,601**	**252,196**
	EXPENDITURES				
141,657	Salaries & benefits	153,004	166,712	180,831	195,371
55,475	Operating costs	57,050	59,035	57,770	56,825
197,132	**TOTAL EXPENDITURES**	**210,054**	**225,747**	**238,601**	**252,196**

The Corporation's 1990 administration budget was $288,800

Outcomes and Measures

Strategic Goal ▶ *To provide funding for the approved financing requirements of our clients at regular intervals and at the lowest cost.*

Outcome	Indicator	Measures
• Meeting approved client financing requirements	• Response to approved requests for financing	(1) Percentage of formal requests complied with through the debenture-issue immediately following the request (2) Average response time to formal requests, measured in weeks.

Strategic Goal ▶ *To explore and develop new methods and products for meeting client needs.*

Outcome	Indicator	Measures
• Awareness of new loan features that may benefit clients	• Amount of communication with clients, investment community, academics, and public sector counterparts	Percentage of potential borrowers contacted

Strategic Goal ▶ *To encourage municipal governments to adopt and maintain a responsible approach to capital project planning and financing (in collaboration with DHMA)*

Outcome	Indicator	Measures
• Optimum use of capital funds and improved community infrastructure	• Information on capital planning and finance	Percentage of borrowers with a capital budgeting, planning, and financing strategy

Nova Scotia Power Finance Corporation

Business Plan 1999–2000

Contents

Mission 223
Background 223
Strategic Goals 223
Core Business Functions 224
Performance in 1998–99 224
Priorities for 1999–2000 224
Human Resources 224
Information Technology 225
Communication 225
Budget 225
Outcomes 225
Risk Analysis 225

Mission

Nova Scotia Power Finance Corporation (NSPFC) was established in 1992 by legislation enacted to facilitate the reorganization and privatization of the business of Nova Scotia Power Corporation (NSPC). The object of NSPFC is to ensure that the debt of NSPC, which is guaranteed by the province, is discharged in an orderly and timely manner.

Background

Under an Asset Transfer Agreement, dated August 10, 1992, 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 NSPC received 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.

In terms of the Nova Scotia Power Reorganization (1998) Act, NSPI was reorganized as a holding company, NS Power Holdings Inc., in December 1998. The holding company structure does not change the underlying obligations under the existing agreements.

Strategic Goals

Goal I

To ensure all NSPC debt, $2,152,879,732, which is guaranteed by the Province, is either repaid, offset by sinking funds, or defeased as per the agreed schedule to December 31, 1997.

Goal II

After December 31, 1997, to monitor the adequacy of the defeasance portfolio and to ensure the repayment of all NSPC debt guaranteed by the province.

Core Business Functions

NSPFC is responsible for monitoring the debt defeasance and debt repayment by the NSPI, of debt guaranteed by the Province of Nova Scotia. NSPFC holds notes payable by the NSPI in case of default of NSPC debt repayment.

Performance in 1998–99

1. The Defeasance Agreement required the defeasance of a minimum of \$1,381,600,000 of outstanding NSPC debt by December 31, 1997. This minimum has already been met and surpassed, \$1,440,290,000 having been defeased by March 31, 1997.
2. The outstanding debt of as at March 31, 1998, made up of C\$1,025,000,000 and US\$300,000,000 remains unchanged as at March 31, 1999; defeased assets as at March 31, 1999 are also C\$1,025,000,000 and US\$300,000,000 thus rendering the guaranteed debt fully defeased.

Priorities for 1999–2000

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 succeed.

Human Resources

Nova Scotia Power Finance Corporation has no employees. NSPC 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 NSP.

Information Technology

The Department of Finance supplies information technology services. The Department of Finance has completed its review of the "Year 2000 bug" effect on NSPFC and received confirmation from the custodian that the systems used to report the assets of the Nova Scotia Power Defeasance Portfolio are Y2K ready.

Communication

NSPFC will make a public announcement when this report is tabled in the Nova Scotia Legislature.

Budget

NSPFC has no corporate expenditures; under terms of the NSPC privatization, NSPI is responsible for expenses of the NSPFC.

Outcomes

- Privatization of NSPC.
- Reduced Province of Nova Scotia guaranteed debt.
- Minimizing credit risk so as to protect the Province of Nova Scotia interests.

Risk Analysis

Risk	**Comment**
Structural changes	None
Financial exposures	The province is exposed to the default on payments of principal and interest of the defeasance and sinking fund assets and NS Power. Defeasance portfolio invested in debt instruments issued by the Government of Canada and the provinces.
Work force implications	None. Board membership of individuals from Department of Finance.
Changes to core business functions	None
Procurement policies	None
Other significant risks	Y2K

Nova Scotia Resources Limited

Contents

Mission 229
Strategic Goals 229
Core Business Functions 229
Assets 230
Human Resources 230
Communications 230
Resource Tax Pools 231
Outcomes and Outcome Measures 231
Budget 232

Mission

To manage Nova Scotia's equity investments in oil and gas exploration and development. This is conducted through Nova Scotia Resources (Ventures) Limited (NSR(V)L).

Strategic Goals

The company's strategic objectives are to:

Goal I

Gain information and knowledge of the resource industry through its project participation.

Goal II

Participate in resource development and maximize returns to the province through its investments.

Goal III

Maximize net revenues through full participation in the Sable Offshore Energy Project (SOEP) and Cohasset/Panuke developments.

Goal IV

Pursue joint venture participation in exploration and development projects in significant discovery licenses, exploration licenses, or areas of mutual interest in which the company has an interest.

Goal V

Evaluate new oil and gas opportunities on the Scotian Shelf.

Core Business Functions

The Company's main business function is to manage the province's equity interests in offshore oil and gas development. It has carried out this function since 1981, by participating in exploration activities and the development of two oil fields Cohasset/Panuke (COPAN) in 1990. Since December 1997 NSRL has been funding its share (8.4 per cent) of the first phase of SOEP. In addition to SOEP and COPAN, participation by NSR(V)L in exploration activity has resulted in 11 other significant discoveries.

Assets

The Company's current assets include:

- a 50 per cent interest in the COPAN project (now approaching depletion) in its seventh year of production.
- interests in 11 other significant discoveries that are in proximity to the SOEP fields and contain an estimated 1.37 Tcf of natural gas and 25.5 million barrels (MMbbl) of condensate.
- an 8.4 per cent interest in SOEP scheduled to start production in late 1999. SOEP has an estimated 3.5 trillion cubic feet (Tcf) of recoverable natural gas.
- a five-year exploration licence (issued in 1994) for 55 500 hectares north of Sable Island (known as the Penobscot structure). A well drilled on this structure in 1976 indicated the presence of light oil.

Human Resources

The present organizational structure consists of NSRL staff managing daily activities and reporting to a Board of Directors, which includes several private sector individuals with oil and gas industry experience. All budgets and major expenditures are approved at board level.

Legal, audit, tax, and technical services are retained as required.

The Department of Finance has been assisting NSRL in the management of NSRL's borrowing program and in obtaining funding for SOEP.

Communications

During the autumn of 1997, the government decided to retain Nova Scotia Resources Limited (NSRL) and to participate in SOEP.

As of December 31, 1998, NSRL has paid approximately $86 million towards its share ($170 million) of SOEP phase 1. Total capital cost of phase 1 of SOEP is estimated to be $2 billion. Production is expected to start in November 1999, and NSR(V)L will fund its $85 million share of the estimated cost of $1.0 billion for phase 2 from cash flow.

As of December 31, 1998, the Copan Project had produced 42.2 million bbls. Copan is approaching its economic limit (at today's oil prices), and if the exploration well Panuke PP3c (currently being evaluated) is unsuccessful, abandonment will begin by mid-1999.

Resource Tax Pools

Due to expenditures made since 1981, NSR(V)L has accumulated approximately $600 million of resource tax pools. These tax pools may be applied to reduce future taxable income generated from SOEP and other projects.

Outcomes and Outcome Measures

NSRL expects its ownership interest in SOEP (8.4 per cent) to result in a positive cash flow from the project that will make a significant contribution toward debt reduction. Retention of NSRL provides the Government of Nova Scotia with a method to participate in new oil and gas opportunities, which will allow full utilization of its share of the SOEP facilities.

Budget

Nova Scotia Resources Limited 1999 Budget

	(Dollars in thousands)
Revenue	
Gross oil production revenue—Cohasset/Panuke	$ 25,695
Gross gas and liquids production revenue—Sable Offshore Energy	7,482
	$33,177
Royalties	$984
Net Revenue	$32,193
Expenses	
Production	
Cohasset/Panuke	$46,547
Sable Offshore Energy	$945
	$47,492
Depletion	
Cohasset/Panuke	$7,828
Sable Offshore Energy	$1,089
	$8,917
Income (Loss) from operations	**($24,216)**
NSRL General & Administrative Expenses	**$3,039**
Earnings (Loss) before financing and taxes)	**($27,255)**
Financing Charges	$40,000
Net Income (Loss)	**($67,255)**
Capital Expenditures	
Exploration–-Cohasset/Panuke & other	$22,000
Sable Offshore Energy Project	$75,986
Total Capital	**$97,986**

Key Assumptions

- Oil price — $ 13.33 US WTI per barrel
- Gas price — $1.80 US/mmbtu
- Gas liquids price — $13.33 US per barrel
- Foreign exchange — $ US/$ CDN = $ .667
- Interest rates — 6.0 per cent
- Oil production — 1.0 mm barrels
- Gas production — 2024 mmcf
- Gas liquids — 89 mbbls

Rockingham Terminal Inc.

Business Plan 1999–2000

Contents

Planning Context 237
Mission 238
Strategic Goals 238
Core Business Functions 238
Priorities for 1999–2000 239
Budgeting Context 239
Linkages and Partners 239
Outcomes and Outcome Measures 240
Communications 240
Human Resources, Information Technology and Financial Services 240

Planning Context

Rockingham Terminal Inc. (RTI) is a special-purpose Crown corporation established in December 1998 by Order in Council. RTI was created to advance the development of a new container terminal in Halifax to accommodate post-Panamax size ships.

RTI was established to promote, manage, and protect the interests of the Province of Nova Scotia within the context of the competitive bidding process commenced by Maersk Inc. and Sea-Land Services Inc., an alliance of two of the world's largest container carriers. In May 1998, Maersk and Sea-Land issued a Request for Proposals to seven northeast North American ports to provide the alliance with a facility capable of handling their post-Panamax ships.

In December 1998, Halifax, the only Canadian port in the competition, was short-listed along with Baltimore and New York/New Jersey.

In order to facilitate the development of a proposal, the Province of Nova Scotia, the Halifax Port Corporation (now the Halifax Port Authority), and the Halifax Regional Municipality joined forces as the Halifax Port Group. Following the short-listing of the bid, the Province of Nova Scotia created RTI to act on its behalf during the bidding process. The province, through RTI, is the lead partner in all matters associated with the bidding process, facility development, and financing.

RTI is located on the 8th floor of the Provincial Building at 1723 Hollis Street in Halifax. In keeping with prudent management of public resources, staff have been seconded from provincial departments and organizations. RTI works closely with the Halifax Port Authority and the Halifax Regional Municipality and receives additional resources from the stakeholders and from the federal government. No long-term contractual commitments for human resources or facilities have been undertaken by RTI.

The bidding process was truly a community effort, bringing the skills and resources of the public sector, labour, and business organizations together for a single purpose.

Mission

To advance the development of a new container terminal in Halifax to accommodate post-Panamax ships.

Strategic Goals

Goal I

Maximize the benefit to the Province of Nova Scotia from any future container terminal development.

Goal II

Ensure development occurs in a responsible and responsive manner that maintains environmental integrity.

Goal III

Anticipate and address issues relating to the successful development of a facility, including potential social and economic impacts.

Goal IV

Ensure provincial investment results in a positive return for Nova Scotia.

Core Business Functions

- Financial and strategic management of the province's interest in port development.
- Economic and social impact analysis.
- Facility design and development.
- Coordination of all activities among partners, stakeholders, and other entities involved in the bidding process and, subsequently, those related to the development of the facility.
- Establishing and maintaining community involvement to ensure that issues and opportunities are addressed.

- Research and intelligence-gathering on all aspects of the competitive process, including the collection and analysis of data that could be used to enhance the bid and the negotiating strategy
- Integrated marketing and communications, including the management of strategic alliances

Priorities for 1999–2000

The priorities for the near term are:

- To undertake all necessary and appropriate activities to identify and participate in bidding for post-Panamex container traffic for the Port of Halifax.
- To ensure that all public funds are expended and invested in a fiscally responsible and prudent manner

Budgeting Context

Under the Order in Council establishing RTI, the Minister of Finance can lend the Crown corporation up to $1 million for the purpose of advancing the development of a new container terminal in Halifax to accommodate post-Panamax ships.

Linkages and Partners

RTI participates in the Halifax Port Group on behalf of the province. Other partners are the Halifax Port Corporation (now the Halifax Port Authority) and the Halifax Regional Municipality. In addition, a special partner, CN, is integral to further development of the port. Both the Halifax Port Authority and CN are owners of water lots at the site of the proposed new facility. CN is also the single line rail carrier from the port to destinations inland and, as such, is a critical partner.

The federal government, through the Atlantic Canada Opportunities Agency (ACOA), is also critical to the success of the proposal process.

Other stakeholders play a significant role. They include the Halifax Dartmouth Port Development Commission, the Greater Halifax Partnership, the Halifax Chamber of Commerce, and the International

Longshoremen's Association. Within the provincial government, many departments play a significant role in supporting the project.

Outcomes and Outcome Measures

The following have been identified as key outcomes:

- Commitment of sufficient increase in container volumes at Halifax to warrant constructing a new facility
- Market acceptance of financing mechanisms for constructing the facility
- Community acceptance and support for development of the facility
- A high degree of local participation in the development of the facility
- Positive social and economic benefits for Nova Scotians consistent with sound environmental practices.

Communications

Key Messages

- Halifax has already won a great deal by being involved in the Maersk–Sea-Land process. We have demonstrated our attractiveness to the entire shipping community as a very competitive port.
- The future for the Port of Halifax is very positive.

Human Resources, Information Technology, and Financial Services

Staff have been assigned to RTI from many sources. Financial services and IT are currently provided through the Department of Finance.

Sydney Environmental Resources Limited

Corporate Plan 1999–2000

Contents

Corporate Profile .243
Mission .243
Strategic Goals .243
Core Business Functions .244
Performance in 1998–99 .244
Priorities for 1999–2000 .245
Human Resources .245
Communication .246
Information Technology .246
Budget .247
Outcomes .248

Corporate Profile

The company was incorporated under the Nova Scotia Companies Act on July 10, 1990. The Governor in Council, Province of Nova Scotia, on the report and recommendation of the Minister of Industry Trade and Technology and in accordance with the appropriate acts, approved establishment of Sydney Environmental Resources Limited, formerly Sydney Tar Ponds Clean-Up Inc., on March 26, 1991.

Sydney Environmental Resources Limited is organized around three units:

- Finance and Administration
- Operations/Maintenance
- Communications

The Corporation maintains its head office at 500 George Place, Sydney, Nova Scotia, and reports to the Minister of Transportation and Public Works, Province of Nova Scotia.

Mission

To facilitate and co-ordinate stakeholder input to the identification and implementation of acceptable remedies for the health and environmental problems of the Muggah Creek area as well as maintain the physical assets of Sydney Tar Ponds Clean-Up and secure the Coke Ovens site as per the recommendation of the Joint Action Group on Environmental Cleanup.

Strategic Goals

Sydney Environmental Resources Limited's strategic goals are:

Goal I

In cooperation with community stakeholders, to effect the successful, safe, environmentally appropriate, and economically practical clean-up of Canada's largest hazardous waste site, employing methods that optimize the utilization of in-place clean-up technologies and the expertise of Corporation personnel.

Goal II

To ensure that present and future public investment in Sydney Tar Ponds is maintained and secure.

Goal III

To actively communicate with all clean-up stakeholders in a manner appropriate to increasing general awareness, encouraging interaction, and fostering collective decision making.

Goal IV

To maximize the economic impact of the clean-up within the community consistent with government policies on income generation.

Goal V

In co-operation with the Joint Action Group, to provide security at the Coke Ovens site.

Core Business Functions

The core business functions of Sydney Environmental Resources Limited are:

- *Maintain clean-up equipment and facilities, secure the site and adhere to stipulations of the hazardous waste destruction permit*

  A core staff of 15 are currently maintaining security and taking care of the fluidized bed incinerators, electrical generation equipment, and baghouse as well as other essential equipment, pending near-term decision on utilization of incineration technology in the destruction of either or both non-hazardous and hazardous waste.

- *Continue Community Capacity Building*

  Communicate pro-actively with community stakeholders through the provision of information on a timely basis, assembly of requisite documentation, participation in public forums, interaction with media, and co-operation with associated community organizations; and

- *Secure the Coke Ovens site.*

  A complement of six staff trained in security, two of whom are from CUPE Local 1675, will continue to ensure the general public is protected from hazards at the Coke Ovens.

Performance in 1998–99

- Supported the Joint Action Group on Environmental Clean-up by providing support staff, information and documentation, meeting facilities, and tar ponds site tours.

- Elevated facilities' maintenance to ensure minimal deterioration. This action was taken in anticipation of incineration again becoming an option as part of a community effort to identify an acceptable remedy for Canada's largest hazardous waste site.
- At stakeholders' request, arranged tours for community business leaders, professionals, and many students, including junior high, high school, and college-level students.
- In compliance with the Nova Scotia Department of Labour, ensured the health and safety of the workforce was not compromised.
- Removed asbestos in the boiler house.

Priorities for 1999–2000

- Continue a good working relationship with JAG working groups; evaluate security issues to protect all equipment and facilities.
- Continue to support the Joint Action Group on Environmental Clean-Up by providing information and documentation, tar ponds site tours, etc.
- Elevate facilities' maintenance to ensure minimal deterioration. This action is in anticipation of incineration again becoming an option as part of a community effort to identify an acceptable remedy for Canada's largest hazardous waste site.
- Reinforce public acceptance of and confidence in the incineration process through joint efforts with management and union.
- Continue asbestos removal on site.
- Attempt to secure federal cost-sharing of co-generation complex maintenance in anticipation of incineration being recommended by JAG as a means of remediating the Muggah Creek watershed.

Human Resources

It is anticipated that the core business functions of Sydney Environmental Resources Limited will be continue to be met by a complement of 15 experienced, unionized site personnel and one site supervisor. SERL employs six security personnel at the Coke Ovens site at the request of JAG, two of whom are from CUPE Local 1675. Two non-unionized administrators will address communication, administration, and record-keeping functions. Therefore, the total staff complement is 24. At present, and for the foreseeable future, day-to-day operations, including health and safety, will be the responsibility of a two-person management team.

Communication

Sydney Environmental Resources Limited earlier completed a formal communications plan. The primary objectives of Sydney Environmental Resources Limited's communications activities are to:

- Apprise community stakeholders of the nature and make-up of the tar ponds
- Facilitate understanding of the history of the clean-up initiative
- Broaden community knowledge of the risk to human health from the tar ponds
- Draw attention to the economic opportunities inherently a part of the clean-up
- Assist in the rendering complex technical issues more understandable to the average stakeholder
- Optimize the general public's understanding of the use and potential of revolving fluidized bed combustion technology

Information Technology

IT hardware and software conform with guidelines and specifications developed by Province of Nova Scotia. Sydney Environmental Resources Limited maintains a simple local area PC network with shared peripherals. Additionally, the corporation makes use of the Internet for e-mail purposes. As well, the corporation has conventional faxing capabilities and a website.

On-site IT hardware and software and digital instrumentation systems conform to standards readied by the project manager, Acres Engineering Limited, in the design of the incineration plant on behalf of the shareholder and complied with by vendors.

Budgeted Expenditures by Month
Year to End March 31, 2000

	Apr	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Total for Year
Salaries & Benefits/Serl	$62,124	$62,124	$62,124	$62,124	$62,124	$62,124	$63,677	$63,677	$63,677	$63,677	$63,677	$63,677	$754,803
Salaries & Benefits/Jag	30,539	30,539	30,539	30,539	30,539	30,539	31,302	31,302	31,302	31,302	31,302	31,302	371,046
Plant													
Supplies & Services	5,847	5,847	5,847	5,847	5,847	5,847	5,847	5,847	5,847	5,847	5,847	5,847	70,181
Motor Vehicle	1,109	1,109	1,109	1,109	1,109	1,109	1,109	1,109	1,109	1,109	1,109	1,109	13,312
Electricity	10,855	10,855	10,855	10,855	10,855	10,855	10,855	10,855	10,855	10,855	10,855	10,855	130,282
Technical services	6,250	6,250	6,250	6,250	6,250	6,250	6,250	6,250	6,250	6,250	6,250	6,250	75,000
Insurance	6,850	6,850	6,850	6,850	6,850	6,850	6,850	6,850	6,850	6,850	6,850	6,850	82,197
Health and Safety	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	300,000
Administration													
Stipends	3,712	0	0	3,712	0	0	3,712	0	0	3,712	0	0	14,848
BOD costs	359	359	359	359	359	359	359	359	359	359	359	359	4,305
Public information	2,422	2,422	2,422	2,422	2,422	2,422	2,422	2,422	2,422	2,422	2,422	2,422	29,068
Communications	3,583	3,583	3,583	3,583	3,583	3,583	3,583	3,583	3,583	3,583	3,583	3,583	43,000
Legal	988	988	988	988	988	988	988	988	988	988	988	988	11,861
Audit	392	392	392	392	392	392	392	392	392	392	392	392	4,702
Travel & Meals	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	12,000
Rent	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	30,000
Telephone & Fax	909	909	909	909	909	909	909	909	909	909	909	909	10,908
Taxes	315	315	315	315	316	316	316	316	316	316	316	316	3,788
Office/Contract Service	4,569	4,569	4,569	4,569	4,569	4,569	4,569	4,569	4,569	4,569	4,569	4,569	54,832
Interest & S/C	41	41	41	41	42	42	42	42	42	42	42	42	500
	$169,364	**$165,652**	**$165,652**	**$169,364**	**$165,654**	**$165,654**	**$171,683**	**$167,971**	**$167,971**	**$171,683**	**$167,971**	**$167,971**	**$2,016,593**

Outcomes

- To operate within approved funding levels.
- To deliver quality, comprehensive service with the current staff complement.
- To maintain corporate equipment and facilities in compliance with approved recommendations and standards of the independent review.
- To employ appropriate systems of control and management to ensure optimum accountability.
- To adhere to internal decision-making protocols as applied by the Board of Directors on behalf of the shareholder.
- To continue to be responsive to community stakeholders and community-based processes in search of solutions to the health and environmental challenges of the Muggah Creek area.
- To secure federal agreement to cost-share maintenance of the co-generation complex at the north end of the steel plant.
- To eliminate hazards to health and the working environment on site at the co-generation complex.

Sydney Steel Corporation

Business Plan 1999

Contents

Facility Overview 251
Mission 251
Introduction 252
Marketing and Sales 253
Human Resources 259
Computer Services 263
Commercial Services 266
Budget 271

Facility Overview

Sydney Steel Corporation was established in December, 1967 by an Act of the Nova Scotia Legislature as a provincial Crown corporation to carry on the steelmaking operations established in 1900 at Sydney, Nova Scotia.

In the late 1980s, the Company undertook a modernization program which converted its old integrated steelmaking facilities to a modern mini-mill, capable of producing the high-quality products demanded by the marketplace.

On January 1, 1995, the owner of Sydney Steel Corporation entered into a three-year joint operating venture with Minmetals of China. This joint operating venture terminated in December, 1997.

Efforts to sell the plant continued during 1998, and in July, Hoogovens Technical Services & Operational Assistance Inc. (HTS TOA Inc.) was hired to manage the operation and develop a bankable business plan to enable a sale of the plant before the end of 1999.

Mission

Sydney Steel is a world-class producer of specialty steels in primary form and large bar sections, with particular emphasis on rail, that meets all international standards and market requirements.

We are committed to the manufacture and supply of the highest quality of specialty steel products, ensuring the principle of continuous improvement, consistency of performance, and value at competitive prices.

We will operate as a reliable supplier to our customers, a responsible employer to our people, and respected member of our community, fulfilling our commitments to a clean environment. We will manage our operation to achieve profitability under safe working conditions and provide a high standard of operating efficiencies and customer service that will enable Sydney Steel to be a preferred source of supply.

Introduction

The plan for 1999 is based on the five-year business plan prepared by Hoogovens Technical Services Technological & Operational Assistance Inc. (HTS TOA Inc.). HTS TOA was hired in July 1998, to manage the plant and prepare a business plan that would be used as a sales document. The Hoogovens business plan was adjusted to reflect those costs associated with the present corporate ownership structure.

A major goal for the Corporation, during 1999 and succeeding years, is a very substantial increase in sales volumes. The mill has operated at levels varying from 20 per cent to 50 per cent of capacity, which has resulted in a very unstable and inefficient operation. With the resumption of rail shipments to Canadian National and the development of new semi-finished steel markets, production levels in 1999 are projected to reach record levels, well in excess of 50 per cent of capacity. Further increases in Year 2000 and 2001 will see capacity levels reached during this time frame.

The business plan has allocated $12.8 million for capital expenditures. These proposed expenditures will allow the Corporation to maintain and improve its current assets and expand its product base with the addition of a round caster.

Certification of the Corporation's quality system to the ISO 9002 Standard is scheduled for the summer of 1999 and is a very important part of our efforts to improve our existing customer relationships as well as to expand into new markets.

Contracts with all unions expire on October 2, 1999, and talks are expected to get under way during the second quarter of 1999, with an aim of reaching a settlement before the expiry of the existing agreements.

Training of all employees will significantly increase during 1999, as $4.2 million in funding has been allocated in the business plan. A thorough training plan, with a major emphasis on safety, has been developed by HTS TOA Inc.

Training will be particularly important during 1999 and future years as nearly 30 per cent of the Corporation's work force will be eligible for pension by the end of the current year, and over 60 per cent will be eligible by the end of 2001.

With the impending sale of the plant and the management support of HTS TOA Inc., 1999 will be a pivotal year in the future of Sydney Steel Corporation. The expansion into new markets and products, combined with the investments in capital and training, has greatly improved the future outlook for Sydney Steel Corporation and its stakeholders.

Marketing and Sales

1999 and Beyond—Summary

The financial crisis in the Southeast Asian and Russian economies has resulted in a historic free fall in global steel prices. For example, prices in the US have fallen by $50–90 US per net ton over the past 12 months. Recovery is expected no earlier than the second half of 1999. Long products are somewhat less affected due to the fact that their trading is more regional than global in nature. In general, the market for rails has remained relatively unaffected.

Sysco will diversify its product mix to increase its sales volume from about 179,000 NT in 1998, to 340,000 NT in 1999, to 440,000 NT in 2000, and 560,000 NT in 2001. This will also make it less dependent on individual customers or market segments. Eventually, half of its sales will be in Canada and the US, and half will be exported. Sysco wishes to recover its position as the dominant rail supplier in Canada and to become a strategic niche feed-stock supplier with its semi-finished products in Canada and the US. Sysco will also strive to develop long-term relationships with its customers.

Meanwhile, Sysco is rapidly changing both its culture and its organization, including meeting ISO 9002 registration, to become a truly market-driven, private company. Sysco is working hard to improve its image in the market. The market is responding positively and trust is developing, but customers will be very skeptical about Sysco in the coming years and will need to be satisfied that the changes are real and lasting.

In order of expected contribution to the overall gross profit of Sysco in 2000, a summary of the markets of each product follows:

Rails

A thorough review of Sysco's strengths and weaknesses and of market conditions has led to the conclusion that Canada, Mexico, and Brazil (and possibly Argentina) are the target markets. Canada, with CN and CP (together 85 per cent of the Canadian market) as our main customers, remains the most important single market. A considerable share of this 130,000 NT market is considered possible. The return of CN as a customer is also an important signal for the market outside Canada. The US market is not part of the current business plan period. After privatization of Sysco, the current US anti-dumping duties and US countervailing measures can hopefully be lifted, although it may take a few years. The US market is not part of the current business plan period. Eventually a 5 per cent share in the market should be achievable. Meanwhile, tenders from the more volatile export market will have to provide the orders to fill the balance of Sysco's rail production capacity.

As for developments in the target markets, we notice an increased demand for continuously welded rail (CWR), instead of railway companies welding the rails themselves. We also notice an increase of percentage of heat-treated rail versus regular rail, which enables railway companies to extend the lifetime of their rails to decrease their costs for replacement. Sysco is currently working on addressing both these developments.

Round Cornered Squares (RCS)

The RCS market in Canada is less than 100,000 NT. The largest segment consists of re-rollers. Our chances of selling large quantities in this sector are small because cast billets are the feed stock of choice for re-rolling, and only very low-cost suppliers can compete with rolled product. The other segment is forgers, which is a small market, mostly located in Ontario.

In the USA, the RCS market is approximately 1 million MT and much more fragmented:

- High pressure gas cylinder manufacturers; currently we are doing trial runs to re-establish our name in this market

- Re-rollers; we will do trials with our RCS early in 1999
- Automotive forgers; this is a very large market in the US of about 500,000 NT per year. However, at least ISO-9002 and sometimes QS-9000 registration is required. In 1999 we will aim at doing trials for several automotive forgers.
- Producers of beam steel crankshafts; we will gather more information in the coming months on this segment.

The trend for cleaner and higher quality and/or specialty steels in this market may require investments in the further future.

Axle Blooms

In Canada the axle bloom market is virtually non-existent, but in the US it is about 150,000 NT and basically consists of only two companies. Sysco's market share is currently around 30 per cent, but is expected to grow to about 40 per cent.

Cast Rounds

Cast rounds could be an attractive new product. We will explore the cast round market in the US and Canada to build a database on that market segment. Investment in cast rounds is planned for late 1999.

Cast Ingots

Sysco will return to the market for forging ingots. In the past few years many producers have stopped pouring ingots, and the prices are fairly strong. A relatively small capital investment would be sufficient to start production, and we still have experience in house. We believe that a volume of approximately 20,000 MT per year can be achieved in the medium term.

Cast Blooms

Sales of cast blooms in Canada will depend on Sysco establishing a relationship with Algoma and Stelco. We could become their major long-term cast bloom supplier so they could rationalize their operations, since we are no threat to their business. The cast bloom market in the USA consists of forgers and re-rollers, who will use our blooms to roll larger sections of product lines they already have.

Marketing and Sales Plan for Rails

Market Overview

The rail market is little affected by the financial crisis in the Southeast Asian and Russian economies, except for some projects in developing countries, which may be postponed until the general market shows more stability.

The world market for railway track is estimated at 4.5 million MT per year. There are strong geographical differences in supply and demand and in market growth or decline. Much of this requirement is satisfied through awards of reasonably large supply contracts which are tendered on a global basis. Typically, about one-half of the approximately 25 rail suppliers bid on such contracts and can be considered to be global competitors. The other half concentrate heavily on their domestic and/or regional markets, e.g., Australia and Russia.

Customers are generally state-owned railway companies in developing countries and private railroads in developed countries. This means that contracts in developing countries are generally awarded as public tenders, which include financing (World Bank, ADB, OECF, etc.) as an important aspect. It also means that the process of tendering in developing countries can be tedious. However, this is not necessarily a reason to stay away from these railway customers. Financing through EDC/CIDA and other programs has made Sysco an attractive supplier to developing countries in the past and can continue to do so.

Sysco is located at approximately the same distance from Mexico, Europe, and the northern part of South America. For the sake of simplicity, we have not distinguished at this point between western and eastern Canada or western and eastern United States.

Market Analysis—Semi-Finished Products

Market Overview

The current world steel market finds itself in a crisis that has been caused by the combination of a financial breakdown in

Southeast Asia and the economic crisis in Russia. As a result, the home markets for Southeast Asian producers have shrunk drastically, and the Russian economy is in dire need of foreign currency. Both have chosen to dramatically increase their steel exports to the USA and European economies in order to sell their surplus capacity and also to obtain hard currency. At the same time, South American steel has seen its natural export markets decline and is also moving towards the USA and Europe. The result of all this has been a strong decrease in prices for (mainly) flat-rolled steel products. Typically, a reduction of $50–90 US per MT over the past 12 months has been seen in the US market. The docks around the Caribbean (Houston, New Orleans, etc.) and the Great Lakes (Chicago, Detroit) are loaded with steel, sometimes without a defined destination. European prices have decreased in the same fashion as US prices, where, for example, hot-rolled sheet price has declined by about $50 US per MT. Prices for commodity-type long products in Europe and the USA have also strongly declined: cast billets are currently being offered for approximately $160 US per MT. Under these conditions, it is impossible for Sysco to compete outside its immediate home market due to the impact of transportation costs.

Since the European market for semi-finished (long) products is generally difficult for Sysco to access due to transportation cost and strong competition, we will focus on the US market. To date the demand in the USA has seen a small decline. Steel analysts such as DRI, CRU, WEFA, etc., expect a total steel demand of 110 million metric tons in the USA for 1999, which is similar to 1998. However, we have observed a tendency for buyers to hold off on their purchases, which is probably caused more by pricing considerations, than by a change in consumption.

There are some positive developments in this dark scenario:

- The Department of Commerce in the US has announced preliminary anti-dumping actions against Japan, Russia, and Brazil for hot-rolled coils (the vast majority of the imports).

- Revenue Canada is currently investigating allegations made by Canadian mills of steel dumping in Canada concerning hot-rolled carbon and alloy steel sheet and strip from France, Romania, Russia, and Slovakia.
- Mexico has issued anti-dumping suits against several countries, mainly in Eastern Europe.
- During 1999 some reduction in US domestic production may take place as a result of upcoming negotiations for new union contracts. Generally, some production is lost due to strikes.
- There are no signs of drastic reduction of consumption. Automobile production numbers are the same as for 1998, unemployment in the USA is still at a very low level, and the economy can bear the burden.
- We note that the strongest price decreases and influx of imported steel are very heavily concentrated in the flat products market.

Market Segmentation

Sysco has a cost structure and a location that make it very difficult to compete effectively in the market for commodity-type long products. In many of these markets we would have to try to compete in cast products (e.g., cast billets), with a cost disadvantage that is typically $55 US per metric ton. Added to that is Sysco's location on the East Coast, leading to additional transport cost for the central and mid-western US and Canadian markets. Therefore, Sysco can consider itself potentially competitive only in "niche markets."

Considering our limited knowledge about each of these markets, the current business plan for 1999 and 2000 is limited to general indications of our intentions. The objectives for 1999 are based upon today's knowledge and direct contact with customers. A large number of potential customers in the Canadian and USA market (mainly the Midwest) have been visited over the past few months. Although these visits give us a good insight into specific businesses, many more need to be contacted to get a complete picture of the market for semi-finished products. During 1999 we will obtain the market knowledge that will enable us to formulate clear and achievable objectives and a strategy for

2000 and beyond. During 1999 Sysco will establish "Product-Market-Combinations" (PMC) as a supplier of semi-finished products.

Based upon market distance (and consequential shipping cost), competition, and our production cost, we have concluded that we must concentrate on the USA and Canada for markets for our semi-finished products. More specifically we will concentrate on eastern Canada (Ontario, Quebec, etc.), the US Midwest (accessible either by rail or by vessel through Great Lakes), and the US southern region (Texas and surroundings, accessible by rail or by vessel).

Other Regions

Following our efforts in the US and Canadian markets as discussed above, we will approach the Mexican steel plants and forgers for cast blooms sales. We will also look to Europe and Asia for select, highly critical requirements such as rail blooms. However, we will not approach these markets actively but rather await requests through agents and/or traders.

Human Resources

General

The Human Resource Department encompasses the following areas of responsibility: labour and community relations, occupational health and safety, plant security, training, manpower planning and control, and pension, benefit, and wage programs. The HR Department has responsibility for the development, interpretation, implementation, and administration of Human Resource policies, procedures, programs, and systems, which are expected to contribute to the Corporation's immediate and long-term success.

Labour and Community Relations

Collective Agreements

Labour collective agreements with the United Steelworkers of America (Local 1064 and Local 6537) will expire on October 2, 1999. Two additional agreements with CUPE Local 1675 and Bricklayers Local 2 will also expire in October 1999.

Workplace Reorganization and Job Redesign

In a previous set of negotiations the Corporation and its major unions agreed, in a letter of understanding, to a program called Workplace Reorganization and Job Redesign. However, at that time all parties agreed that, due to the pending sale of Sydney Steel, the program would not be implemented until the climate was more conducive to this type of joint union-management participation endeavour. The Corporation and Local 1064 have now resumed discussions to implement this program.

This will help coordinate productivity enhancement teams in key areas within the plant. Once opportunities have been identified, designated employees will be trained to work collectively to ensure Sydney Steel is an efficient and profitable world-class steel producer.

Communications

The Corporation will continue to strive to improve its communications with managers, supervisors, union representatives, and company employees. Regular productivity and quality meetings are held with key supervisory personnel.

Occupational Health and Safety

In 1998 we experienced an accident frequency rate of 6.0, and we expect to further reduce the frequency rate in 1999. It is our intention to continue to reduce the number of accidents in the workplace. Much more emphasis has to be placed on communications and on training the work force on the provisions in the provincial Occupational Health and Safety Act. We will continue our efforts on training in the following areas: Due Diligence, Lock-Out Procedure—Refresher, WHMIS—Refresher, Fall Arrest—Refresher, Confined Spaces, First Aid and CPR, Crane Certification, and Compressor Certification. Revamped safety policies and procedures, inspection reports, accident investigation, safety contact program, safe job procedures, and an audit procedure will be implemented with the co-operation of the Joint Health and Safety Committee. Department safety meetings will be scheduled on a monthly basis and monitored to ensure compliance and follow-up.

Security

Unauthorized intrusions and theft of company property have been reduced in the past year. However, we are still vulnerable when operations are shut down and outsiders become aware that fewer employees are working. More emphasis will be placed on reducing infiltrations. Entry and exit is now permitted through only one gate, and regular vehicle checks will be increased. New surveillance and monitoring equipment is being placed on several sites throughout the plant in an effort to improve overall plant security.

Training

The next five years will be a time of great adjustment for Sydney Steel Corporation. Employees will be required to change not only how they do their jobs, but even how they think about their jobs. Over 85 per cent of the hourly work force and 60 per cent of the salaried work force will likely retire in the next five years. This combination dictates that we begin a substantial training program to protect our ability to produce. This year $4.2 million has been allotted for training. From a training perspective, replacements for salary retirements generally will either be obtained fully trained (for example, accountants and engineers) or will learn on the job. Generic training of all employees will take place over a 12-month period and will include Communications I and II, Problem Solving, Quality Awareness, ISO, Statistical Process Control, Computer-Based Training and others. Selected employees have successfully completed a Train-the-Trainer course through the University College of Cape Breton, which will enable the Corporation to conduct in-house training of its work force. This will result in substantial savings and improved flexibility in the utilization and assignment of our employees. Our major goal is to ensure that all operating and maintenance personnel are better equipped to meet corporate goals through proper instructions in standard job, operating, quality, and safety procedures. This should ensure that consistency is maintained from shift to shift.

Succession Planning

A major challenge facing the Corporation is the anticipated retirement of a significant number of employees (both unionized and salaried) who either are or will be eligible to retire over the next five years. A complex succession plan is being developed and will be implemented to address this situation.

Manpower Planning and Control

Management is continually addressing departmental manpower requirements on a weekly basis with the emphasis on minimizing overtime, combining jobs and functions within jobs, multi-skilling, and multi-crafting where possible. It is the Corporation's goal to reduce man-hours per ton of shipped product to meet world-class standards. An all-out effort will be made in 1999 to improve productivity, quality, and efficiencies by better utilizing our manpower.

Pension, Benefit and Wage Programs

The Corporation continues in its efforts to administer the pension and benefit programs for its unionized and salaried employees in the most cost-effective and efficient manner possible. A new benefit item has been added for all salaried employees. Travel medical insurance, which came into effect on May 1, 1999, is presently available to employees, and for an additional nominal fee may be purchased for the employee's spouse and dependents.

Miscellaneous

An on-site clean-up project is planned, which will improve the overall appearance of the Corporation. Pension information seminars are scheduled throughout the year for employees who are eligible to retire. Major renovations to the USWA Union Hall are planned for the near future and will include modern training classroom facilities along with facilities to conduct computer-based training.

Computer Services

How Computer Technology Is Used at Sydney Steel

All production processes are monitored and controlled by a multi-million dollar, multi-level computer process control and monitoring system. Most administrative departments also rely on computers to perform assigned functions.

Steelmaking

The pre-heated scrap steel charge is melted in the electric arc furnace under process computer control. Temperature and chemistry are monitored during the refining stage by sampling the steel. Within minutes the computerized chemical laboratory provides a full chemistry analysis. Based on this analysis, the process control computer calculates any necessary adjustments to achieve optimum target values for tapping the "heat" of steel.

The steel is now ready for the next critical stage: secondary metallurgy, which takes place in the ladle refining furnace. In this mini EAF, steel temperatures and chemical analysis are brought to precise values. From a sequence of temperature and chemistry determinations, the process control computer computes exact power-on times and quantities of material to be added. The next step is to pour the steel into the vacuum degasser. Under process computer control, molten steel is subjected to a vacuum of less than 1 torr while undergoing continuous argon gas purging. The result is an ultra-clean steel that is virtually hydrogen-free; thereby, eliminating a leading cause of premature rail failure.

The still-molten steel now moves into the caster building. The three-strand caster is under computer process control of mold level, strand cooling, bloom cutting, and identification. The process control computer automatically directs the cutting of bloom samples as well as the automatic stamping machine for bloom identification and full traceability. The computerized quality tracking system compares every foot of the bloom to a standard set of quality parameters. A scrap inventory control computer system records the receipt, location, and usage of scrap metal required for the electric arc furnace.

Universal Mill

Only when the blooms have passed all tests for quality are they transferred to the reheat furnace. The reheat furnace brings rail blooms to an even discharge temperature. The process control computer network continuously monitors all essential process functions and bloom identification. From the reheat furnace, blooms enter the rolling process. Roll gap adjustments are made from the computer terminal in the operator's pulpit. After many rolling passes (under full computer control), the bloom becomes a rail. (The rolls used to create the rails are turned on CNC lathes under computer control.) Each rail has a unique stamp for traceability. The two rotary stamping machines operate under computer control.

Rail Finishing Mill

Data from the steelmaking and universal mill process control computer systems is used to set up a product tracking database. Operating and inspection personnel record quality observations on computer terminals as the rail proceeds through the mill. At the in-line test centre, the entire rail is tested with ultrasonic testing equipment. Probes scan the top and both sides of the rail head, web, and flanges. This system is completely computer controlled. Rails then proceed to the cold saws where high-speed computer-controlled tungsten-carbide saws cut rails to ordered length and, when required, drill ends. Rail ends are checked for straightness; when necessary, computer-controlled hydraulic presses bring rail ends into specification. For orders specifying head hardening, the rail moves into the head-hardening area. Here a fully computer-controlled facility induction-heats the entire rail. In the shipping area, personnel use hand-held radio-operated computer terminals to determine if a rail should be shipped. Each rail has a unique "serial" number stamped into the steel and once entered into the computer, personnel are advised if the rail meets order requirements, is not "on hold," and is free of defects. Quality-related records are maintained for use by Sysco's quality control personnel and by customers.

Administrative Departments

Accounting

The accounting computer system is fully integrated with other computer applications. (This is a standard cost system using a standard work force based on the operating level and using flexible budgeting.) For example, output includes works ledgers, man-hours per ton variances, production cost variances, inventory ledgers, trial balance, departmental cost reports, earnings statement, profit and loss, etc.

Material Management

This computer system processes requisitions for items and requests for quotations, and issues purchase orders. For example, provision is made for automatic faxing of requests for quotation and purchase orders from a buyer's computer terminal. The main Warehouse, which receives, issues, and inventories material is controlled by this system. It also provides the journal entries for the accounting system.

Accounts Payable

All invoices are entered into the computer and the material management system is accessed to determine if goods have been received and to match the quantity and price on the purchase order. When an audited "payment list" has been approved a cheque is issued. It also provides the journal entries for the accounting system.

Accounts Receivable

This computer system provides order entry and invoicing, as well as the journal entries for the accounting system.

Personnel System

The personnel system records all aspects of employee-related information: attendance (from payroll data), seniority, changes in job assignments, disciplinary notices, etc.

Payrolls

A time recording computer system provides plant-wide entry of payroll data by supervisors and foremen. The personnel system is accessed to determine if Human Resources have designated the employee as "active", in the assigned department, and is being paid the approved rate. It also provides the journal entries for the accounting system.

Plans for 1999

Complete revisions for the Year 2000 to process control and administrative software.

Commercial Services

Commercial Services at Sydney Steel incorporates three main areas of responsibility: Purchasing, Traffic, and Warehousing.

Purchasing

Our policy is to purchase all items and services at the lowest possible price, balancing this consideration with quality, delivery, performance, integrity, reputation and stability of the supplier. Although operations over the past few years have not been conducive to building and maintaining strong supplier relationships, we have found that many of our established suppliers have stood with us and have provided their support even in times of greatest uncertainty. We recognize that it has been extremely difficult for many of these suppliers, as their operations are tied very closely to those of the Corporation and our reduced operations have had a negative impact on their businesses. To those who have continued to assist and support the Corporation, we express our appreciation.

Purchasing efforts during the past two years have concentrated on increasing efficiency and accountability in the Purchasing Department. Emphasis was placed not only on negotiating the best possible price consistent with quality and service, but also on assessing whether there was a more efficient or economical way in which to purchase these items. We have replaced certain clerical work performed by the Purchasing Department with “value-added” services. This constant re-evaluating has resulted in the following:

- **Term Orders**
  Many more items, especially warehouse stock, are now ordered on term orders. The material is basically stocked at the supplier’s warehouse and released on an as-required basis. These orders fix prices for at least a year and result in savings of both time and money.
- **Consignment Orders**
  All major refractories are now ordered on a long-term consignment basis. Sysco pays for these materials only when they have been used in the operations. Communications have also been improved between the Steel Shop, the Purchasing Department and the supplier, resulting in a more steady and consistent supply of materials.

Sysco has and will continue to evaluate materials such as other major steel shop consumables and alloys to ascertain whether a consignment basis makes sense.

- **Limited Purchase Orders**

  A system of limited purchase orders (LPOs) was implemented to address purchases under $200. LPOs were issued to specific suppliers enabling designated Sydney Steel personnel to pick up certain materials directly. This system has increased productivity (less down-time) and has resulted in efficiencies in the Purchasing Department.

Cost Reduction Program

In 1998, Sysco continued the initiatives started in 1997. In addition, in an attempt to reduce costs of purchasing goods and services, we undertook a Cost Reduction Program. Although we do, on a continuous basis, evaluate major suppliers and products, a more formal system was implemented. Under this program, we assessed products and services to ascertain whether the "total cost" could be reduced. Lowering the "total cost" may be as a result of:

- reduced prices
- increased productivity in the operating departments
- eliminating delays and inefficiencies
- better delivery schedule

We concentrated on, but did not limit ourselves to:

- the top 20 suppliers (in $)
- the top 20 products (in $)
- critical products as identified in the manufacturing process.

Information Seminars

We also conducted in-house seminars on the proper completion of purchase requisitions to those who write or approve the majority of requisitions. This has lead to more effective communications between the user and buyer and a better understanding of the user's requirements.

Traffic

The Traffic Department includes the following functions:

- Traffic
- Ships Agency
- Customs

The department will continue to work closely as a service department with operating departments, as well as Marketing and Purchasing, to achieve its objective of utilizing the most economic transportation service consistent with delivery requirements and service.

The decision as to the mode of transportation used to transport goods to and from Sydney Steel always depends on a number of factors, including the material being shipped, shipping point/destination, the quantity available for shipment, delivery time frame requirement, shipping and receiving facilities, as well as the cost of the various modes of transport.

Inbound Shipments

About 80 per cent of scrap from Maritime points is delivered to Sydney Steel by truck, with the other 20 per cent delivered by rail car. Scrap from Quebec and Ontario is normally delivered by rail car.

Imported scrap, hot briquetted iron, and pig iron are delivered to Sydney Steel by vessel. Sysco purchases scrap cargoes from Canadian ports delivered by vessel. In 1998, Sydney Steel imported three cargoes of scrap from the US East Coast on self-discharging vessels. These vessels were responsible for discharging the scrap directly into trucks provided by the Corporation. This resulted in improved discharging rates and cost savings to Sydney Steel.

The key to transportation utilization for scrap is distance and shipping facilities. Truck transport has proven to be most cost effective for deliveries from most Nova Scotia shipping points and areas in New Brunswick close to Nova Scotia. As the distance increases, rail transportation becomes more competitive. Most Maritime dealers do not have the facilities to accumulate large quantities of scrap for vessel shipment.

About 65 per cent of our refractory and Melt Shop consumable and other products are shipped to Sydney Steel by rail car. The majority of the refractory and consumables are shipped from the United States, and truck is not competitive with rail volume shipments. The materials moving by truck are lower-volume items or are shipped from suppliers who do not have rail facilities. These are always closely examined to ensure the most economic mode is utilized. Truckloads would represent about 30 per cent of our inbound material. Less than 5 per cent of inbound material is shipped to Sydney Steel by less than truckload modes.

Outbound Shipments

One hundred per cent of long rails (78’ to 82’) destined to Canadian customers are shipped by rail car. About 85 per cent of short rails (39’ and under) are shipped by truck, with the balance shipped by rail.

One hundred per cent of steel shipments to United States points are shipped from Sydney by rail car. This includes shipments destined to customers requiring truck delivery. These are shipped by rail car and transloaded to truck at or near the customer’s location. One hundred per cent of export orders for steel are shipped from Sydney by vessel.

Rail Freight Rates
Outbound rail freight rates have remained reasonably stable over the past few years. Our inbound freight rates on scrap experienced an increase in 1996; however, they are expected to experience little change during 1999.

Truck Rates
On a regular basis, the Corporation tenders its trucking requirements. Less-than-truckload rates and inbound truckload rates have remained fairly constant over the last couple of years. Outbound truckload rates have increased by 7–8 per cent during 1998. This was necessary to ensure a steady supply of trucks.

Ocean Rates
The international market of supply and demand governs these rates. It is expected that rates will remain stable during 1999, with the normal seasonal drop in the summer and a return to present levels in the fall.

We analyse our transportation purchases for cost reductions on a continuous basis. Recently we carried out an in-depth analysis of the delivery of rails to our domestic customers to determine if it was more cost-effective to move the rails by vessel or barge and then use the vessel/barge to bring scrap back to Sydney. This analysis included site visits to the discharge port and a visit to the barge operator's yard to view its barges.

We will continue to monitor our traffic patterns to determine if a more cost-effective means can be found to deliver our products to our customers. This will include analysis and exploration of options, including:

- moving by vessel/barge to the United States East Coast and then by truck/rail to customer.
- moving by vessel/barge into a Great Lakes port and then by truck/rail to customer.
- moving by vessel/barge down the US East Coast to the Mississippi River and then by barge up the Mississippi.

Warehouse

The plant warehouse carries up to 4,000 items common to a small steel manufacturing complex. The current value of warehouse inventory is approximately $600,000.

Control of this inventory is built into our computerized material management program with receipts and issues recorded on a daily basis.

Over the past few years, our level of inventory in the warehouse has been reduced substantially. Our objective is to maintain inventory at the lowest possible level without unduly affecting operations.

Budget

1999 Budget Parameters

- Financial statements are based on the assumption that operations will continue as Sydney Steel Corporation with Hoogovens TOA providing management and technical assistance.
- All units are expressed in net tons of 2,000 lb with currencies in Canadian dollars.
- Projections are based on the Quarterly 1999 Budgets.
- Sales in US dollars are converted to Canadian dollars at $1.50. Each 1 per cent change in this rate affects P & L by approximately $100,000 Canadian.
- Interest expense has been calculated at a rate of 7 per cent on Canadian loans and 8.25 per cent on US loans.
- Labour rates for 1999 reflect current obligations. The contract is due to expire October 2, 1999.
- Prices for steelmaking commodities, including refractories, alloys, and electrodes, were fixed for 1999 at levels experienced in late1998. Projections for scrap costs are based on an average of $150.00 /NT of scrap.
- Proposed capital expenditures of $12,800,000 Canadian are funded by increasing the Corporation's bank debts.

1999 Budget Notes

- Hoogovens Technical Services TOA management and technical fees are included in operating costs.
- Overtime labour costs are included in operating budgets based on a proportional distribution of 10 per cent to Operating Departments, 8 per cent to shops, and 3 per cent to other departments for a total of $2,400,000 Canadian per annum.
- Training is included in product costs at $4,225,000 Canadian per annum, of which $3,500,000 Canadian is additional to normal training costs.
- Electricity costs are based on NS Power's new Interruptible Expansion Rate of $44.30/mwh.
- City taxes are included in the profit/loss statement at $1,025,000 Canadian per annum.
- Insurance costs are estimated at approximately $1,400,000 Canadian per

annum, which includes property and boiler/machinery coverage.

- Current service pension costs are included in P&L and cash flow requirements.
- Past service pension interest charges are included in P&L.
- Cash flows do not include provision for past service pension payments or interest on them.

Past & Projected Sales Analysis

Net Tons

	Actual 1996	Actual 1997	Actual 1998	1999	2000*	2001*
Domestic Rail						
Regular	64,522	31,809	44,041	63,107	61,000	81,000
Head Hardened	9,410	2,067	2,518	8,050	22,800	27,000
Export Rail						
Regular	11,597	25,337	9,647	109,400	68,300	68,300
Head Hardened	14,900		8,875	18,200	27,500	27,500
Industrial Rail	3,571	7,831	4,685	2,400	2,400	2,400
Total Rail	**104,000**	**67,044**	**69,766**	**201,157**	**182,000**	**206,200**
Non-rail						
Cast—blooms	903	35,461	57,943	71,000	71,700	110,200
Cast—slabs	1,826					
Cast—rounds					77,200	110,200
Forging ingots					18,700	24,200
Rolled—blooms	8,256	1,898	2,315	22,200	38,600	44,100
Rolled—axles	36,432	24,413	49,479	55,000	51,800	66,100
Total Non-rail	**47,417**	**61,772**	**109,737**	**148,200**	**258,000**	**354,800**
Total All Products	**151,417**	**128,816**	**179,503**	**349,357**	**440,000**	**561,000**

***** Assumes a privatized operation

Income Statement Summary
Business Plan 1999

	Plan Total
Liquid Steel Production N.T.	363,200
Total Shipments N.T.	349,357

	(Million $)
Net Sales	$184.5
Cost of Sales	202.6
Gross Income (Loss)	**-18.1**
Interest	-10.0
Cash Income (Loss)	**-28.1**
Depreciation	-2.9
Net Income (Loss)	**$ -31.0**

Income Statement Summary Business Plan 1999–2001

(Million $)

	1999 Plan Total	2000* Plan Total	2001* Plan Total
Liquid Steel Production N.T.	363,200	487,000	616,000
Total Shipments N.T.	349,357	440,000	561,000
Net Sales	$184.5	221.1	279.6
Cost of Sales	202.6	223.9	271.9
Gross Income (Loss)	**-18.1**	**-2.8**	**7.7**
Interest	-10.0	-13.8	-1.5
Cash Income (Loss)	**-28.1**	**-16.6**	**6.2**
Depreciation	-2.9	-4.0	-4.5
Net Income (Loss)	**$ -31.0**	**-20.6**	**1.7**

* Assumes a privatized operation

Projected Balance Sheets

Assets

	Jan. 99	Dec. 99
Current Assets		
Cash	0.0	0.0
Accounts Receivable	5.0	14.3
Inventories	38.7	25.0
Prepaid Expenses	0.5	0.5
	44.2	39.8
Fixed Assets	36.7	48.7
Accumulated Depreciation	11.3	14.3
	25.4	34.4
Total Assets	**69.6**	**74.2**

Liabilities and Equity

Current Liabilities		
Bank Debts	108.4	149.4
Accts. Payable & Accrued Liabilities	54.9	49.6
	163.3	199.0
Retained Earnings	-616.7	-647.8
Contributed Surplus	523.0	523.0
	-93.7	-124.8
Total Liabilities and Equity	**69.6**	**74.2**

Tidal Power Corporation

Business Plan 1999–2000

Mission

To research and demonstrate the generation of electrical energy from the tide of the Bay of Fundy.

Strategic Goals

Goal I

Provide an information base for the development of tidal energy.

Goal II

Reduce the dependence of Nova Scotia and Eastern Canada on imported oil.

Goal III

Encourage large scale project development in Nova Scotia to create jobs and improve our economy.

Core Business Functions

- Research of the technical and economic feasibility of tidal power development.
- Investigation of the environmental impact of building and operating tidal power schemes.
- Construction of a prototype demonstration tidal-generating station at Annapolis Royal, Nova Scotia.

Performance in 1998–99

Nominal activities. Future under review.

Options for the future of the Corporation were not presented to Cabinet as planned during 1998–99.

Priorities for 1998–99

The future of the Corporation is under consideration. Options will be presented to Cabinet in the next year.

Human Resources

Supplied through the Department of Natural Resources.

Communications

Following a decision by Cabinet on the future of the Corporation, the public will be advised through a press release from the Department of Natural Resources.

Information Technology

Supplied through the Department of Natural Resources.

Outcomes

Cabinet will review the future of the Tidal Power Corporation during 1999–2000.

Trade Centre Limited

Business Plan 1999–2000

Contents

Introduction 281
Mission 282
Strategic Goals 282
Core Business Functions 284
Performance in 1997–98 285
Performance in 1998–99 285
Priorities for 1999–2000 286
Human Resources 287
Communications 288
Information Technology 290
Year 2000 Issues 291
Budget 292

Introduction

Trade Centre Limited (TCL) was created in November 1981 by Order in Council as a Crown corporation and was also incorporated under the Nova Scotia Companies Act. The Province of Nova Scotia is the beneficial owner of all shares of the company. The company reports to the Minister of Economic Development and Tourism. The original mandate defined the primary purpose of the company as to oversee and administer the activities related to the Trade Centre complex. A secondary purpose is to actively promote the facility, Halifax, and Nova Scotia. In 1982 an agreement was signed between the City of Halifax and the Province of Nova Scotia that gave management of the Halifax Metro Centre to TCL, although the city was to continue to accept financial responsibility for any and all costs of operation in excess of revenues. The two facilities/properties are indivisibly linked in all aspects of physical plant and interdependent in all operations, which is necessary to achieve maximum efficiencies in all areas of performance—a true symbiotic relationship.

In the fall of 1994 Trade Centre Limited adopted a comprehensive strategic plan to chart a course and guide the direction of TCL for the next five years. A process for annual review is in place to ensure that the strategic plan remains vibrant and relevant in the extremely competitive business environments in which it operates and at the same time to continue to act as an economic generator for the Province of Nova Scotia.

As a result of the strategic direction established, the organization was structured into four primary business units and supporting resource units with the recognition that maximum productivity and efficiency are achieved through interdependence.

Mission

To maximize, for the people of Nova Scotia, the direct and indirect economic benefits from the operation of resources entrusted to our care. The delivery of our products and services will exceed customer expectations.

We will achieve this through the strength, innovation, and commitment of our people and deliver this through our business units.

Strategic Goals

Trade Centre Limited (TCL) was created, and the facility was constructed to complement, operate, and integrate with the existing Halifax Metro Centre (HMC). The combined complex acts as an economic generator and benefactor for both the city and the Province of Nova Scotia in the convention, trade show, sports, and entertainment industries. The facility was financed by all three levels of government—federal, provincial, and municipal—with an ongoing commitment by the latter two to fund operating deficits and capital improvements. However with today's continued pressure on governments to achieve fiscal responsibility, TCL has adopted a mandate through strategic planning to eliminate its need for operating subsidies and also to reduce or eliminate, if possible, the need for continued capital improvements to maintain its status as a world-class facility and destination.

Trade Centre Limited is a unique Crown corporation, which operates two properties in a symbiotic relationship comprising four business units, operated and marketed as one and involving two levels of government.

TCL operates in highly competitive markets for conventions, conferences, meetings, and entertainment. These industries have seen declining attendance levels, an increase in the number of convention, entertainment facilities throughout the world, and the complete remodelling of older existing facilities to increase capacity.

It is unique as a Crown corporation in that it pays municipal property taxes (commercial and occupancy) and is subject to HST on purchases, in addition to other applicable local, provincial, and federal taxes.

It is unique in that it has become a destination of choice for conventions and conferences, allowing participants to include individual and family vacation activities, which is not common for other similar venues.

It is unique in that in order to achieve financial independence from government, yet still act as an economic generator/benefactor (its original mandate for construction), it must also compete in the industry markets that its construction was designed to benefit.

A number of overall strategies for TCL were identified as necessary to achieve the visions identified in the mission statement for each of the business units. The current strategies are:

Goal I

Structure our businesses to ensure accountability for all aspects of operations.

Goal II

Ensure the viability of Trade Centre Limited through

- elimination of annual operating deficits
- growth

Goal III

Effectively use partnerships and strategic alliance in the delivery of services and growth of Trade Centre Limited.

Goal IV

Ensure that the marketing and sales programs are aggressive and innovative in order to substantiate the growth expectations of all business units.

Goal V

Optimize the use of technology and techniques to ensure our services are delivered in the most efficient and effective manner.

Goal VI

Ensure that our physical facilities meet or exceed prevailing customer expectations.

Goal VII

Maintain world-class facilities in Halifax as a world-class destination of choice with world-class levels of service.

Core Business Functions

Trade Centre Limited is the corporate entity that acts as the umbrella for the four primary business units and provides the resource units necessary to support their operation. The interdependent and physically joined complex provides opportunities to achieve operational efficiencies and financial savings through this interdependence—most importantly acting as a catalyst for "one-stop shopping" for activity planners and event promoters. The four business units/core business functions are:

1. **The World Trade and Convention Centre**
   To provide the necessary facilities and services to attract meetings, conventions, and trade shows that will have a major impact on the economy of the province.
2. **The World Trade Office Tower**
   To provide Class A commercial office space to the government and private business sectors that have a significant interest in and relationship to the type of business activity that is generated by the facilities.
3. **The Atlantic Canada World Trade Centre**
   As a franchise member of the World Trade Centers Association, an organization of 310 world wide trade centres, to provide trade-related services to Atlantic Canadian companies seeking to expand their operations in the global marketplace.
4. **The Halifax Metro Centre**
   To provide a venue that complements and enhances the capability to handle convention and trade show activities and, as the largest sports/entertainment complex in Atlantic Canada, to act as a main catalyst to draw national and international sports and entertainment activities to the Atlantic region.

Performance in 1997–98

The fiscal year ended March 31, 1998 was the third unprecedented year in its 14-year operating history in which TCL achieved an operating surplus—$569,237 before amortization, depreciation, and interest income. This surplus has been achieved for the third year in a row of its original five-year plan set for realizing an operating surplus. Capital expenditures still require a level of support; however continued operating surpluses of this nature will reduce that level of dependency as well. With the co-operation of the province these surplus funds have been retained and used for capital and renovation expenditures so as not to require additional funding from the province.

The major objective of the strategic plan continues to focus on reducing the operating deficits over the next five years.

Performance in 1998–99

TCL was able to play an important role for the people of Nova Scotia in hosting the international media centre for the Swissair Flight 111 air disaster, which happened off the waters of Peggys Cove in the September 1998. Our strength, flexibility and capability for this role was tested and proven as a result of our hosting the international media for the G-7 Summit in 1996.

Events Halifax was established as an additional entity that will focus on identifying, bidding for, and securing sporting and cultural events that offer national and international exposure and bring economic benefits to Halifax and Nova Scotia. Both private and public sponsors are supporting this endeavour.

We have hosted international events such as the International Symposium of Microbial Ecology, 1500 delegates from 66 countries, and the International Ocean Institute, 200 delegates, described as the largest group of international dignitaries since the G-7 Summit.

Priorities for 1999–2000

The attached budget details the financial plan to achieve our goals of financial independence in the short term for operating fund subsidies and our ability to contribute to our financial needs for capital improvement funds in the long term.

These are ambitious goals at a time where there has been an unprecedented growth in the number of comparable facilities worldwide providing for a very tough and competitive market in an industry that has also seen a simultaneous reduction in levels of attendance and service requests resulting in declining revenues.

Our continuous efforts to achieve revenue growth, devise new products and services, and monitor revenues and effective cost controls have allowed us to accomplish what we have to date, and through an effective and ongoing strategic planning process we will continue to contribute to our future success.

- Increase revenue through increased activity, which results from innovative thinking and discovery of new opportunities.
- Form partnerships and maintain a leadership role within the hospitality industry.
- Strive for the highest standards of service, constantly investigating new ways to improve actions and further establishing the facility's reputation for excellence in products and services.
- Continue to focus on achieving an increasing level of annual operating surplus to generate sufficient reserves to fund our own capital and renovation expenditure requirements.
- Increase economic impact on the economy of Nova Scotia through increased activity in the complex for the benefit of Nova Scotians.
- Maintain the property as a world-class facility by providing modern amenities and a safe, comfortable, and well-maintained environment in which conventions, meetings and event activities can take place and tenants may operate their businesses.
- Increase trade opportunities for Nova Scotians by being a resource facility and providing a link to trade activities in the global market place and as a member of the World Trade Centres Association.

- Introduce and conduct innovative trade education programs.
- Maximize and maintain the level of customer satisfaction and awareness at all levels of the operation and maintain a well-trained, focused, and customer oriented staff.
- Continue to be the premier facility in Atlantic Canada for conventions, meetings, trade shows, sports, and entertainment events, with continued recognition as a destination of world-class capabilities and a place where the world should be. Among the events we will be hosting this year are:
  - Rendezvous Canada: 1500 delegates and 300 exhibits representing the largest ever marketplace of Canadian travel products to foreign buyers.
  - The Canadian Psychological Association: 1200 delegates, the highest attendance ever.
  - The Operating Room Nurses Association of Canada: 1000 delegates achieved through the commitment of the active local membership.

Human Resources

The Human Resources function plays a significant role in the operation of TCL and its diverse business units. With over 70 full-time employees and more than 250 part-time employees, TCL has formalized the HR function as a result of the strategic planning process initiated in 1994 and as a response to employee concerns.

The operation of such unique and diverse business units requires a variety of employees having a variety of skills associated with and unique to each industry. Extensive and intensive initiatives have been undertaken to establish and develop personnel policies and practices in response to our unique needs, in line with our industry counterparts, and in accordance with employment legislation and guidelines established by the PNS affecting Crown corporations.

TCL recognizes the importance of this function and is committed to the importance of employee relations and human resource management in operations, strategic planning, and decision making in order to achieve its corporate objectives. It is recognized that the manner in which we deal with our employees will be reflected in the manner in which they interact and serve our clients. Our employees are committed to delivering a superior product and superior service. We are proud of that product and service, and we are proud of our employees.

Initiatives are ongoing in the following areas:

- development of standard corporate employment policies and procedures
- training initiatives that support our strategic direction
- performance management system
- workplace health and safety
- employee relations policies and guidelines
- customer service strategy development
- compensation and benefits review—industry standards/government guidelines
- rewards development

Communications

Trade Centre Limited has recognized that communications represent an important part of the strategic planning process. It has recognized that it must communicate with its employees, its stakeholders, its industry partners, and the people of Nova Scotia.

A major initiative is the continued commitment to identifying and tracking the direct and indirect economic impact and benefits arising from the activities of the World Trade and Convention Centre and the Halifax Metro Centre. It is important not only to track these benefits but to communicate them to Nova Scotia taxpayers through the news media and as part of our annual report.

The annual report was expanded from a document for internal use to a formal annual report for public distribution. It represents one of our vital tools in our efforts not only to tell the public what we do, but also to share our successes and accomplishments with them from year to year. It is important to recognize that we are a world-class facility and a world-class destination.

TCL publishes a bi-monthly newsletter, the Ambassador, which is circulated to the general public, our employees, our industry partners, and the news media. It is our way of keeping people informed as to our activities and upcoming events. Our business units also publish a total of five other newsletters targeted to specific groups and audiences.

The community relations program including facility tours for students and community groups was expanded to include more group tours than ever before. The interest has come from elementary to post-secondary students, and in particular students taking classes in tourism and hospitality. Our plan is to increase the number and diversity of group tours throughout the year. Public support is critical to our success and this is one way of reaching that audience. Another important aspect of our community relations program focuses on staff volunteer participation in various charitable organizations. We have also developed successful community relationships with such groups as Mermaid Theatre of Nova Scotia, The Art Gallery of Nova Scotia, and the Senior Citizens' Secretariat. We will actively pursue more of these relationships during the year.

The president's communication program was established to include sessions at different times of the day/weekend for various employee groups and continues to be an important activity. General staff assemblies are held regularly, and spontaneously, as required, as a means of keeping staff informed of our activities and any newsworthy events. President's lunch sessions are also held on a regular basis with small groups of employees. An informed staff is important to our success.

An annual event in the form of the Ambassador Dinner is held to honour local individuals who have been essential to attracting events, conferences, and conventions to our facility and city. These people are integral to TCL's success and publicly recognizing their efforts is a small price to pay for their continued support.

An ongoing commitment to advertising—local, regional, and national—is required to ensure that we maintain a presence in various advertising media that focus on our business unit markets.

We have also developed a media relations program that features regular information sessions.

A more recent initiative was the creation of an Internet website, which continues to generate an increasing amount of interest from the patrons and audiences of our four business units.

Information Technology

Information technology has been recognized in our strategic planning process as key to achieving our corporate goals and objectives and is crucial to our success in the industries of each of our business units. A separate strategic information technology plan was created that integrates with the corporate plan. Recognizing that we have four business units and resource units with diverse needs was a key factor in the development of this plan.

TCL participates in a very competitive environment in each of its business units and all have shown rapid advancement in and deployment of information technology to remain extremely competitive.

TCL has adopted the client/server systems technology in its operations and those operating systems best suited for software applications that are industry specific, and the use of other common software applications that offer the best fit to our overall corporate technology goals. The industry-specific applications have given us a competitive edge and have been critical to our success in operational efficiency, productivity, and revenue growth. We have stabilized to one hardware platform, which has contributed to reduced maintenance costs and has given us an up-time ratio that consistently exceeds 99 per cent. This level of up-time is crucial to our operation, and any deterioration would result in lost revenues that would have an exponential impact.

Recognizing the benefits to be gained, TCL has adopted the Windows platform and has migrated the majority of its DOS applications to that environment where a Windows version is available.

The overall strategy of TCL is to advance and increase the use of information technology in all areas of operation that can be identified as deriving a direct productivity benefit and/or cost effective solution from its application.

The use of information technology has become such an integral part of TCL's operation that it would be unable to function without it in most aspects of its operation, and the loss in other areas would severely hinder the operation as a whole and its ability to generate revenues.

Year 2000 Issues

We are actively involved in ensuring that all of our systems and those of our suppliers are Year 2000 compliant. It is planned for completion by May 1999, including full compliance testing. This is being co-ordinated by an in-house project team and in conjunction with external consultants under contract. Progress reports are submitted to the Board of Directors on a regular basis.

Budget

For the years ended March 31	2000 Estimate	1999 Estimate	1998 Actual
Revenues	$7,523,632	$7,274,433	$7,115,404
Expenses			
Event operations	$2,965,076	$2,822,768	$2,570,928
Salaries and benefits	1,746,456	1,695,588	1,594,478
Operating, maintenance and administration costs	2,231,700	2,225,677	1,986,710
Taxes and insurance	1,098,400	1,098,400	839,913
	8,041,632	7,842,433	6,992,029
Income (Loss) before depreciation	$(518,000)	$(568,000)	$123,375
Depreciation	1,100,000	1,100,000	1,040,326
Gain on disposal	—	—	(1,434)
(Loss) before subsidies and interest income on short-term investments	1,618,000	1,668,000	(915,517)
Grant–Halifax Regional Municipality	455,000	450,000	445,862
Province of Nova Scotia surplus (subsidy)	**(75,000)**	**(125,000)**	**569,237**
Interest income on short term investments	125,000	125,000	112,670
Income (Loss) for the year	**$(975,000)**	**$(975,000)**	**$(926,222)**

Note:

Revenues and Expenditures of the Halifax Metro Centre are not reflected in this Budget. The Halifax Metro Centre is 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 the municipality funds all capital improvements.

Waterfront Development Corporation Limited

Business Plan 1999–2000

Contents

Background .295
Vision .299
Mission .299
Strategic Goals/Core Business Functions .299
Performance in 1998–99 .300
Priorities for 1999–2000 .301
Beyond 1999–2000 .303
Human Resources .304
Information Technology .304
Budget .304

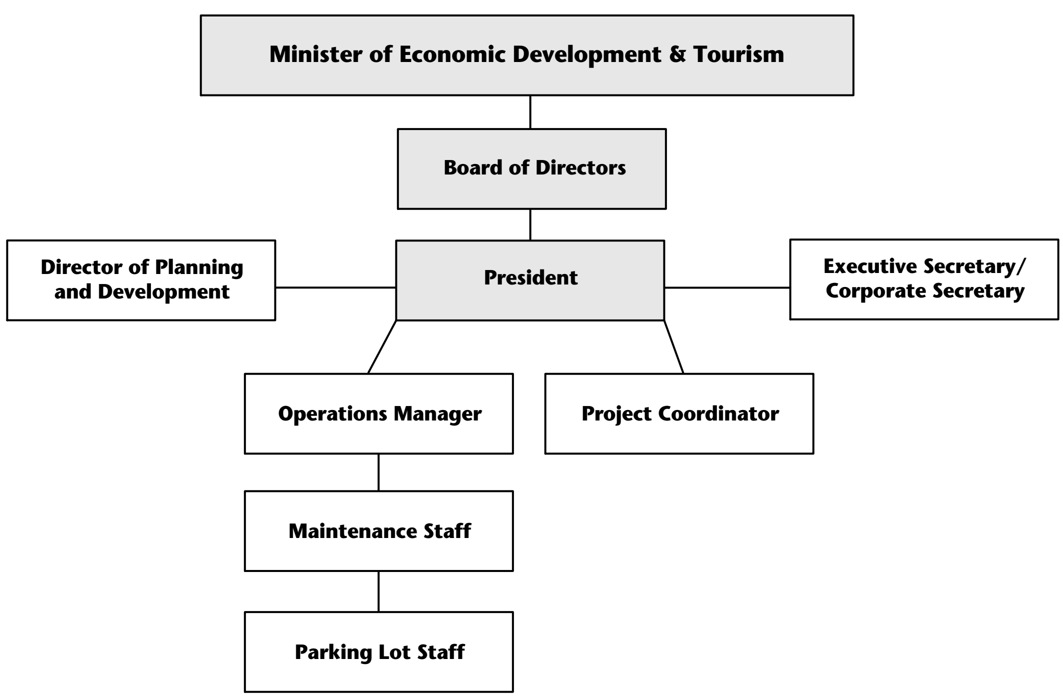
Background

Mandate

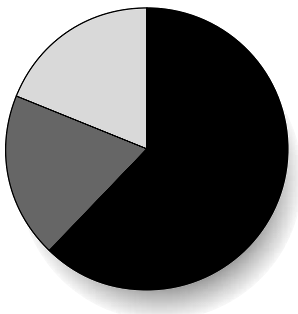
The Mandate of the Waterfront Development Corporation includes:

- property acquisition, management and development within designated areas in Halifax and Dartmouth
- marketing and promotion designed to attract public use of the waterfronts
- co-ordination and planning of the waterfronts of Dartmouth and Halifax, including the stewardship of harbourfront assets owned by the province

Organizational Chart



Investment History
1976 to Present

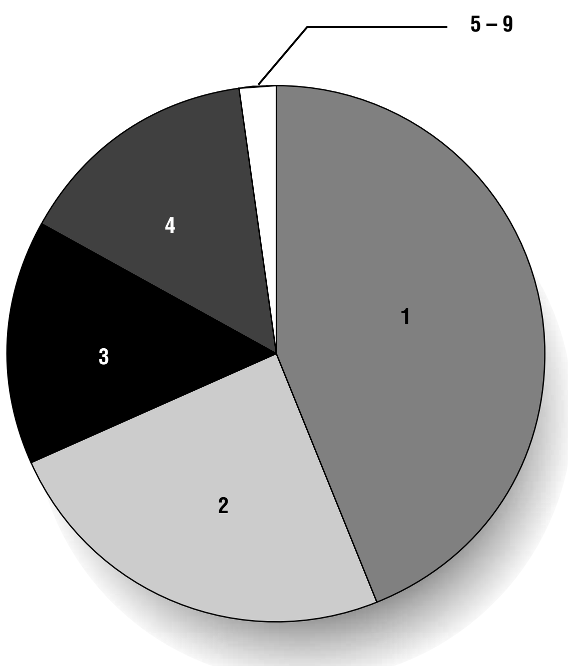


$102.1 Million
Private Sector Investments

$31 Million
Investment by Federal/
Provincial Governments

$31.1 Million
Value of WDCL assets
(at replacement cost)
slated for future development
(approx. 70% commercial,
30% public amenities)

Initial Economic Impact
of Private Sector Investment



1. Sheraton	$45,000,000.
2. Southwest	25,000,000.
3. Summit Place	15,000,000.
4. Admiralty Place	15,000,000.
5. Mother Tucker's	800,000.
6. Secunda	400,000.
7. Waterfront Warehouse	400,000.
8. Nova Scotian Crystal	300,000.
9. Other	250,000.
	$102,150,000.

Other Economic Impacts

There is a significant amount of other private sector investment and spin-offs from the initiatives of WDCL. These have not been quantified, but include such things as private investment in boats, ongoing renovations, and employment.

Milestone Achievements

Since 1976 over 20 capital projects have been completed. Locations are as shown on the map on the following page.

1976 to 1994

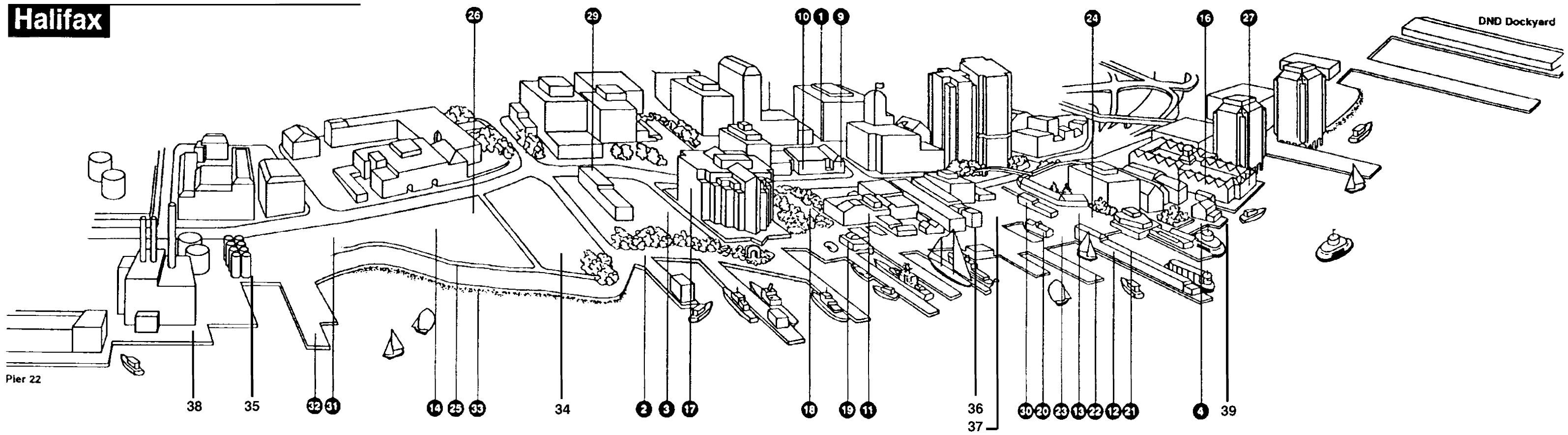
1. Streetscapes and Underground Services in Halifax and Dartmouth.
2. Extensive Harbour Walkways.
3. Block M Parking
4. Nathan Green Square
5. Dartmouth Alderney Landing
6. Dartmouth Walkway
7. Dartmouth Parking
8. Dartmouth Streetscapes
9. McKelvie's
10. Mother Tucker's
11. Maritime Museum of the Atlantic
12. Initial Renovations Cable Wharf Centre
13. Cable Wharf Parking
14. South Battery Acquisition of Lands
15. Dartmouth Admiralty Place Residential Development
16. Sheraton Hotel
17. Summit Place Office Building
18. Halifax Sackville Landing
19. Sackville Wharf Interpretation Centre
20. Cable Wharf Tour Boat Centre
21. Murphy's Development – Cable Wharf

1994 to Present

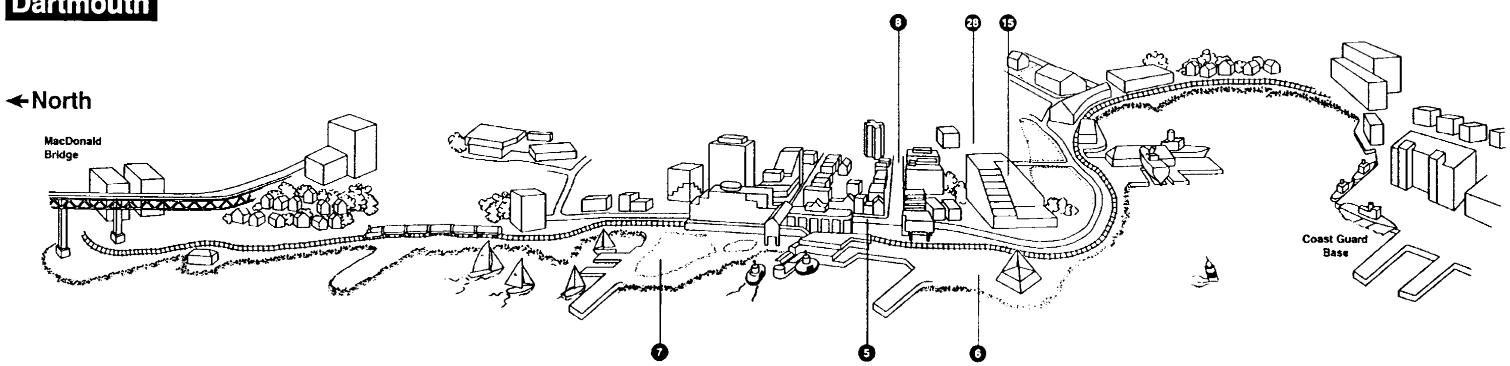
For the past four years WDCL has accelerated the pace of development, undertaking a proactive strategy that includes the following capital achievements:

22. Queen's Wharf Redevelopment
23. Queen's Wharf and Cable Wharf Walkway
24. Chebucto Landing Expansion of Boardwalk
25. Walkway South of Salter Street to the Heliport
26. G-7 Parking Lot improvements – Landscaping and Lighting.
27. Sheraton Casino
28. Dartmouth Parking Facility – Maplehurst
29. Waterfront Warehouse
30. Acquisition of Fisherman's Market and Development of Nova Scotia Crystal.
31. South Battery Residential Proposal Call
32. Heliport Redevelopment
33. South Battery Boardwalk
34. Aquisition of Marine Towers and former Manulife lands
35. Aquisition of Cunard property
36. Aquisition of Dept. of Fisheries and Oceans and RCMP garage
37. Demolition of former DFO and RCMP building; creation of parking/event space
38. NSPI and Cunard Wharf redevelopment
39. Boardwalk expansion at Historic Properties

Halifax



Dartmouth



A multi-year plan for capital projects was developed through to the year 2000 and presented to Cabinet in 1996. This included over $12 million of additional capital expenditures that were planned to be financed via WDCL internal sources based on an additional bank loan guarantee with a maximum of $14.5 million (versus $9 million previously). The balance of our business plan was to be funded through external sources, including provincial grants, municipal government contributions, and federal government grants plus investment by the private sector in public–private arrangements.

Vision

The Vision

The Waterfront Development Corporation Limited will be recognized as North America's leading agency for creating a vibrant, living, and working harbour front.

Values

- guardian of the waterfront
- public accessibility
- adherence to highest standards of quality
- preservation of historic elements
- appropriate balance of commercial, residential, and public areas
- respect for the environment
- teamwork and co-operation among staff and volunteers
- consultation and communications with stakeholders

Mission

To serve as guardians of Greater Halifax Harbour and to develop properties, co-ordinate, plan, promote and act as the provincial agent to assist other Nova Scotian waterfronts.

Strategic Goals/Core Business Functions

The strategic goals and core business functions of the WDCL include:

Goal I

Property acquisition, management and development within designated areas in Halifax and Dartmouth.

Goal II

Marketing and promotion designed to attract public use of the waterfronts.

Goal III

Co-ordination and planning of the waterfronts of Dartmouth and Halifax, including the stewardship of harbourfront assets owned by the province.

Performance in 1998–99

The following represent significant projects and programs undertaken and completed in 1998–99.

Property Acquisition, Management and Development

- completion of the land acquisition program initiated in 1996 (involving acquisition of five separate Halifax waterfront properties at the total cost of over $11 million)
- demolition of the former Department of Fisheries and Oceans buildings and RCMP garage and development of a plan for short-term use, including parking and events plaza
- plan for Dartmouth Cove (to be completed by April 1, 1999)
- depending on any appeal to the courts, South Battery Bishop's Landing development by Southwest Properties and public plaza area development by WDCL to be under construction before September 1, 1999
- renovation of 1721 Lower Water Street and lease to bioScience Centre Enterprises for laboratory space
- advertisement of new tour boat opportunities
- proposal call for residential land in Dartmouth
- design and construction of NSPI and former Cunard wharf and boardwalk
- an agreement to manage NSPI refurbished wharf for a period of 20 years
- exploration of opportunities for partnering with HRM on expanded joint operation activities
- development of a plan for under-utilized WDCL lands and buildings (including Tour Boat Centre, second floor of the Foundation Building, and land parcel adjacent to Nova Scotian Crystal)

Promotions

- participation and support to the buskers and other festivals
- co-ordination of special projects to encourage activity on the waterfront such as:
  - Waterfront Winterfest
  - Christmas events and decorations
  - Canada Day Parade of Lights
  - visit of the HM Bark Endeavour
  - Heritage Caravan
  - visit of the USCG Eagle

Coordination and Planning

- management partnership with Halifax Regional Municipality on certain aspects of operations of waterfront activities, e.g., docking
- member of Tall Ships Nova Scotia/Tall Ships 2000 with certain management committee
- initiation of a plan review for the Halifax waterfront in partnership with HRM
- initiation of a plan for Dartmouth Cove
- continued partnerships with Downtown Halifax and Dartmouth's Business Commissions, in such areas as signage, promotions, events
- involvement with HRM in the Downtown Dartmouth Plan Review
- development of partnership with HRM to improve washrooms on the Halifax waterfront

Priorities for 1999–2000

Property Acquisition, Management and Development

- Finalize Bishops Landing Residential Development and the Public Plaza.
- Finalize redevelopment of Cunard/NSPI wharves.
- Through Dartmouth Cove planning process, decide on future of land on Canal and Maitland streets.
- Initiate proposal call for residential development of Dartmouth properties—WDC 1.
- Promote and advertise berthing opportunities.

- Carry out renovations to Tour Boat Centre based on new plan.
- Decide on future of waterfront lot at Fisherman's Market and redevelop through private investment
- Subsequent to plan review for the Halifax waterfront, implement strategic plan to redevelop lands.
- Complete new washrooms at Halifax Ferry Terminal.
- Complete analysis of long-term financing.

Marketing and Promotions

- Begin signage initiative to set standards for both public and private sector for display signs, directional signs, and interpretation signs.
- Carry out a series of marketing and promotion events, which in 1999 will include the visit of the HM Rose in conjunction with the 250th Founding of Halifax Reenactment.
- Continue to support Tall Ships 2000 with both the Chair and the President of WDCL serving as directors on the Tall Ships Nova Scotia board.
- Partner with the business community using "seed funding" from WDCL.
- Expand the Visiting Ships Program and partner with the Maritime Museum of the Atlantic.
- Host the International Buskers 1999 festival.
- Negotiate with Boston for biannual tall ship race from Boston to Halifax.
- Take leadership role on an initiative to promote the use of George's, McNabs, and Lawlor's Islands.
- Carry out a communications plan to expand public relations coverage with media interviews, paid advertising, and direct mailouts.

Coordination and Planning

- Continue to establish partnership/policy agreements with Halifax Regional Municipality in areas of maintenance and planning.
- Establish partnerships with downtown business commissions.
- In partnership with HRM, complete a review for the Halifax Waterfront Development Area.
- Complete a plan for Dartmouth Cove.
- Initiate property management plans for existing and newly acquired properties including the heliport.

- Carry out environmental audit of WDCL properties.
- Undertake a study to examine the economic benefit of WDCL investments and initiatives.

Beyond 1999–2000

Property Acquisition, Management and Development

- call for proposals for development of waterfront land to implement revised Halifax Waterfront Plan
- feasibility study related to the need and market for a public marina
- examination of opportunities involving a waterfront attraction, marine war museum, and privately owned museums
- feasibility study to determine the opportunities for developing part of Cable Wharf land and other lands adjacent to the Nova Scotian Crystal building
- examination of potential spin-offs from the Electropolis Studios and how the WDCL could or should take advantage of these in respect to development of land on the waterfront
- attraction on the Dartmouth waterfront
- bicycle paths
- re-evaluation of the policy to lease only versus sell and lease waterfront land

Marketing and Promotions

- continued development of marketing and promotion program
- encouragement of year-round use of open areas for festivals and public events

Coordination and Planning

- continued surveys on visitation, opinion, perceptions of the waterfronts by the regional population, local visitors, and tourists
- joint planning with HRM on the future of property associated with the Cogswell Interchange
- reinitiation of the Harbour Vision Process
- implementation of revised Halifax Waterfront Plan

Human Resources

The following initiatives are designed to maintain efficiency and ensure implementation of objectives and reduce cost:

- Define and implement a staffing and contracting-out plan to permit implementation of the business plan
- Re-evaluate both internal and external public safety measures.

Information Technology

The WDCL will be assessing its business needs relative to current computer technology and current investment. This will include the need to access geographic information systems. Continued improvement to the Internet website will be a priority.

Budget

Prospects for the future are good. Funds available for development are expected to average $1.2 million annually over the next three years. Current and projected budgets for the years 1999 through 2002 are attached. Highlights include:

- A $3.2-million program in 1999–2000 for capital improvements is focused on expanding and completing the wharf/boardwalk system, which will realize our objective to complete the linkage between the new casino site on the north to Pier 21 Cruise Ship Terminal on the south of our revitalized waterfront area.
- A major joint planning review with HRM is under way that will result in proposal calls for key sites that are now owned by the Corporation and have the potential for commercial and residential development, including hotel, retail/commercial developments, and residential expansion to complement the adjacent public harbour edge adjacent to these temporary parking facilities.
- An intensive review and negotiation with HRM will be undertaken to satisfy the business community and the public on parking needs into the long term and at the same time provide taxable development and an capability for ongoing cash flow by the Corporation to sustain the public mandate and non-revenue-generating public areas that have been developed by the Corporation.

	1997–98	1998–99	1999–2000	2000–2001	2001–2002
Revenue					
Rent	944,361	987,108	967,794	1,053,939	1,151,724
Parking	910,300	1,459,500	1,653,095	1,621,195	1,651,195
Recoveries	4,574	4,688	4,806	4,926	5,049
Interest Revenue	11,592	11,882	12,179	12,483	12,795
Other	25,392	25,000	25,000	25,000	25,000
	1,896,219	2,488,178	2,662,874	2,717,543	2,845,763
Property Expenses					
Operating	336,586	389,000	398,725	408,693	418,910
Taxes	83,158	85,237	87,368	89,552	91,791
Amort. & Deprec.	296,379	343,000	364,000	364,000	364,000
	716,123	817,237	850,093	862,245	874,701
Income Before Other Items	1,180,096	1,670,941	1,812,780	1,855,297	1,971,062
Corporate Expenses					
Directors	24,727	45,000	45,000	45,000	45,000
Office Op.	37,987	38,937	39,910	40,908	41,931
Audit	7,700	10,000	10,250	10,506	10,769
Consultants	23,229	50,000	150,000	40,000	36,000
Legal	44,493	45,000	24,000	24,600	25,215
Public Rel.	30,168	30,922	31,695	32,488	33,300
Promotions		25,000	25,000	25,000	25,000
Salaries & Ben.	222,472	300,000	280,600	280,600	280,600
Staff Expenses	50,132	51,385	52,670	53,987	55,336
	440,908	596,244	659,125	553,089	553,151
Loan Interest					
Expense	236,218	804,000	799,250	799,250	799,250
Prov. of N.S.					
Basic Contrib.	336,000	336,000	252,000	252,000	252,000
Suppl. Contrib.*					
	(99,782)	468,000	547,250	547,250	547,250
Net Earnings	838,970	606,697	606,405	754,959	870,661
plus: amort. & deprec.	296,379	343,000	364,000	364,000	364,000
plus: beginning cash	99,597	(408,670)	105,127	96,132	130,091
Funds available for development	1,234,946	541,027	1,075,532	1,215,091	1,364,752
Capital Proj.					
Capital expense	4,369,992	8,242,400	2,823,400	1,085,000	1,240,000
Land sales	909,100				
Grants & Recoveries		406,500	1,344,000		
Net capital exp.	3,460,892	7,835,900	1,479,400	1,085,000	1,240,000
Surplus funds (deficiency)	(2,225,946)	(7,294,873)	(403,868)	130,091	124,752
Borrowing	100,000	7,400,000	500,000		
Cash, end of year	(2,125,946)	105,127	96,132	130,091	124,752\
	(408,670)				
Loan Balance, end of year	6,000,000	13,400,000	13,900,000	13,900,000	13,900,000
Prime rate		7.00%	6.75%	6.75%	6.75%
WDCL base rate		6.00%	5.75%	5.75%	5.75%
WDCL supp. rate		6.50%	6.25%	6.25%	6.25%

*Supp. cont . based on incremental interest over 4% on $6,000,000