NOVA SCOTIA

Nova Scotia Crown Corporation Business Plans

For the fiscal year 2006–2007

NOVA SCOTIA

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Crown Corporation Business Plans

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

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

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

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

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

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

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

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BUSINESS PLANS

FOR THE FISCAL YEAR 2006–2007

Art Gallery of Nova Scotia

Business Plan 2006–2007

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Mission

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

Planning Context

The Art Gallery of Nova Scotia (AGNS) is the principal art museum of the Province of Nova Scotia and is responsible for maintaining the Crown's art collection on behalf of the people of Nova Scotia. AGNS is the largest, most significant art museum in Atlantic Canada. It performs a leadership function among art institutions in Eastern Canada.

As a government agency, the gallery, through its board, reports to the Minister of Tourism, Culture and Heritage. The gallery is overseen by a Board of Governors made up of dedicated volunteers, who accept and hold a public trust, ensuring that cultural activity remains in the public domain to the benefit of current and future generations. The AGNS board assumes responsibility, loyalty, and a duty to uphold the integrity of the organization. The role, responsibilities, and functions of a governor must be carried out with a full understanding and appreciation of the organization. AGNS aspires to strengthen its board contingent by assuring its membership is inclusive and representative of geographic and other demographic considerations. The advocacy role of the AGNS Board of Governors is paramount in developing community awareness of the gallery's mission, in representing and interpreting the value of AGNS to community, government, foundation, corporate, and other funding agencies.

AGNS serves the province and the people of Nova Scotia through the accumulation, creation, and dissemination of knowledge through the visual arts. Distinct from other related public arts institutions, the AGNS has the responsibility to acquire, maintain, conserve, research, publish, and make accessible the Crown's art collection. The principal activities of the AGNS are the acquisition, preservation, and research of arts collections; the creation of knowledge through research; and the dissemination of these resources through exhibitions, publications, public lectures, presentations, and education programs. AGNS provides services to and assists the people of Nova Scotia as well as international researchers by maintaining outstanding publicly accessible study centres, archives, libraries, records, and resources pertaining to the visual arts. AGNS will provide these services in the coming year through two venues: AGNS at Halifax and Yarmouth.

Challenges and the Economy

The greatest challenge facing the Art Gallery of Nova Scotia is financial sustainability. For the past number of years, the AGNS has consistently experienced significant budgetary shortfalls. Attempts to increase self-generated revenues through admissions, memberships, grants, special events, and sponsorships, while successful, have not been sufficient after factoring in the associated expenditures. This year, in order to ensure success, aggressive cost-reduction strategies must be implemented to manage expenses effectively and efficiently while minimizing the impact on the programs and services provided to the people of Nova Scotia.

The AGNS will undertake to creatively manage existing resources to contain costs while enhancing visitors' experiences. Greater operating efficiencies will be achieved through streamlining admissions and membership sales functions and the Gallery Shop operations. Programming will focus on highlighting permanent collections and recent acquisitions.

While it will be crucial to highly scrutinize all expenditures on an ongoing basis to ensure maximum cost containment, the gallery must also continue to focus on increasing revenues from all available sources. In recent years, the AGNS has successfully obtained significant donations of art work. In the last year alone, acquisitions with an estimated value of $6 million were donated to the gallery. While collecting art is one of the primary functions of the gallery, the efforts over the past several years have placed the gallery on solid ground. Acquisition activity will be limited to selective significant opportunities to ensure that the focus remains on financial stability and revenue generation.

To increase revenues, the AGNS will undertake a number of initiatives, such as reviewing the fee structures in the areas of admissions, memberships, and facility rentals. There will be focused effort to develop business partnerships at the regional and local levels to maximize possible opportunities to increase sponsorships, donations, and promotions, both large and small. Specific attention will be paid in the coming year to improve the profitability of the Gallery Shop.

Competition for national and regional grant support continues to increase. The AGNS must consistently demonstrate the value that it offers to provincial, federal, and municipal governments by assisting in the delivery of their cultural and public mandates. Evidence of the gallery's success in this area may be found in the Canada Council for the Arts' increased grant support to recognize the AGNS' substantive quality improvements in contemporary art.

The AGNS aspires to increase public access to services, increase perception of the quality of services, and increase the number of individuals who use, benefit from, and value these services. It intends to be a genuine tourist draw, contributing directly to the decision to select Nova Scotia as a tourist destination of choice; therefore, AGNS will partner with numerous agencies to create public relations campaigns dedicated to increasing public awareness of the AGNS and increasing attendance at gallery exhibitions and programs.

The completion of construction will allow the opening of AGNS Western Branch in Yarmouth in late May to be ready for the 2006 tourist season. The branch will operate on a four- to six-month seasonal model and this will provide an opportunity for the gallery to act as a gateway for visitors entering Nova Scotia via the Yarmouth ferries during the summer months. As well, it is hoped that the Yarmouth Gallery will serve as a special event centre for the people of the western region. This satellite location will increase the number of persons served by AGNS and broaden the opportunity for future grants, sponsorships, and donations.

Through its programs and leadership, AGNS contributes to the positive environment that promotes the growth of the arts and artists in Nova Scotia. It aspires to identify, acknowledge, encourage, and support the very finest achievements in the arts, to bring these to the public, and to encourage their growth and promote awareness, ranging from the local level to the international stage.

Human Resource Strategy

In the coming year, the gallery will be developing an human resources initiative to ensure that all staff are actively engaged in a performance management process and to explore development of a training plan to improve development opportunities for employees. As well, there will be a focus on creating greater opportunity for diversity in the workplace.

Strategic Goals

1. Financial Sustainability, Governance, and Accountability
2. Stewardship: Preserve, promote, interpret, and develop Nova Scotia's diverse visual arts culture and heritage.
3. Economic Growth: Help support the economic and export potential of Nova Scotia's tourism, culture, and heritage resources.
4. Education: Facilitate lifelong learning by providing access to Nova Scotia's visual arts culture and heritage and by providing programs that enhance the learning experience.

Core Business Areas

1. *Public Programming and Exhibitions: The creation of knowledge in the arts*

AGNS makes accessible to the public the gallery's collection, art collections from other institutions and patrons, special exhibitions, publications, lectures, films, and events and maintains accessible library, archives, and study materials. In the coming year, a new program called ArtReach will continue to be developed in partnership with the Department of Education to build on some exciting links between art gallery programs/exhibitions and Nova Scotia schools. This initiative will add to the gallery's already existing outreach projects with travelling Canada Council Art Bank collections and workshops for teachers and students across the province who find it difficult to visit the AGNS. This type of program strives to improve services to youth in their own communities.

2. *Collections and Conservation: The accumulation of knowledge in the arts*

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

3. *Development and Auxiliary Services: To financially maintain AGNS and to encourage the public to visit the Art Gallery of Nova Scotia and engage in the visual arts*

AGNS creates market awareness by various public relations tools. AGNS promotes membership to the public, generating revenue and, as well, these members become volunteers who assist the gallery in all aspects of its operations including fundraising, governance, and program delivery. The gallery provides auxiliary services that benefit visitors and members while increasing gallery funding. Services include membership, volunteer programs, a Gallery Shop, facility rentals, Art Sales and Rental, and Cheapside Café.

Priorities for 2006–2007

Strategic Goal—Financial Sustainability, Governance and Accountability

Priority 1: Balance the budget by increasing revenues and containing expenses as needed.

Priority 2: Enhance operational effectiveness and overall governance processes by continuing to implement and maintain the Strategic Plan and audit recommendations.

Priority 3: Review and report on Business Plan and budget targets on a monthly basis and implement contingency plans quickly to stay on target as needed.

Strategic Goal—Stewardship: Preserve, promote, interpret, and develop Nova Scotia's diverse visual arts culture and heritage

Priority 4: Open AGNS Western Branch in Yarmouth with a sustainable operating strategy, working in partnership with western region community associations.

Priority 5: Provide increased public access to art by bringing the art of the world to Nova Scotia, and bringing the art of Nova Scotia to the world, by securing major international exhibitions and by offering Nova Scotia-generated exhibitions to go on tour, within the established annual budget.

Priority 6: Continue to grow the permanent collection through the donation and purchase of key contemporary and historical works, within the established annual budget.

Strategic Goal—Economic Growth: Help support the economic and export potential of Nova Scotia's tourism, culture and heritage resources.

Priority 7: Contribute to the growth of Nova Scotia's competitiveness in the tourism sector by continuing the growth of AGNS as a major tourism destination by mounting exhibitions of provincial, national, and international importance during both peak and shoulder seasons.

Priority 8: Maximize revenue potential from the Gallery Shop by exploring and implementing strategies to stimulate business, increase sales, and gain efficiencies.

Strategic Goal—Education: Facilitate lifelong learning by providing access to Nova Scotia's visual arts culture and heritage and by providing programs that enhance the learning experience.

Priority 9: Increase research, teaching material in exhibitions, and interpretation by guides, interpreters, and other educational staff to create more opportunities for lifelong learning, to increase in the body of knowledge about Nova Scotia's cultural heritage, to increase access to Nova Scotia's cultural heritage, and to provide opportunities for volunteerism.

Priority 10: Enhance focus on ensuring a positive visitor experience by forming a visitor services working group responsible for planning, implementing, and coordinating specialized initiatives to improve services offered to visitors and members.

Summary

The AGNS has experienced significant success in recent years by building its reputation and profile in the art world through excellence in programming, services, and acquisitions. Unfortunately, this growth has come at a cost, as revenues have not kept pace with expenses. The AGNS is committed to achieving financial sustainability this year in order to lay a strong foundation for future growth and stability. In 2006–2007, the gallery needs to regroup and reprioritize to ensure achievement of this goal through cost containment and increased revenue generation. The AGNS will improve organizational effectiveness through a variety of strategies. Financial plans and progress will be reviewed on a regular basis, and contingency plans will be quickly implemented if corrective action is necessary. Services will be extended to AGNS Yarmouth during the tourist season to benefit the citizens and to support cultural activity in the western region of the province. The Art of the Ancient Mediterranean World exhibition will be followed by Egypt, Age of the Pharaohs, to maintain major exhibition excitement and to continue curriculum partnering with the Department of Education. Acquisitions through purchase, donations, and long-term loans will be pursued on a selective and strategic basis to take advantage of presenting opportunities. The Gallery Shop will focus on increasing its profit margin in the coming year. Interpretive services will be enhanced within existing resources, with volunteers fully utilized to maximize opportunities for lifelong learning and improved visitor experiences.

Nova Scotians expect and deserve a high-calibre art museum, as well as fiscal accountability. With the support of the

Department of Tourism, Culture and Heritage, the Board of Governors, the corporate community, members, visitors, volunteers, and the dedicated professional staff, the AGNS can achieve financial sustainability and begin to build a solid financial foundation for future progress.

Budget Context

Art Gallery of Nova Scotia Consolidated Budget, Fiscal Year 2006–2007

Please note: The AGNS has five funds—Operating, Acquisition, Endowment, Gallery Shop, and Product Development. In previous business plans, the AGNS reported on the operating budget. This year, the AGNS will be reporting on a consolidated basis, including all five funds as compared to previous years when the AGNS budget reported only on the operating budget.

	Estimate 2005–06	Forecast 2005–06	Estimate 2006–07
Revenue			
Province of Nova Scotia	1,198,000	1,135,000	1,559,000
Admissions	360,000	282,616	240,000
Membership	100,000	88,486	95,000
Programming Recoveries	534,250	482,617	630,666
Cost Recoveries	117,000	125,591	112,200
Other Revenues	506,250	368,501	193,500
Acquisition	(36,000)	(99,539)	5,000
Endowment	102,000	129,464	101,000
Gallery Shop	50,800	425	42,700
Product Development	14,800	26,180	21,500
Total	**2,947,100**	**2,539,341**	**3,000,566**
Expenditures			
Salaries	1,008,000	951,622	1,141,600
Building Operations	936,700	851,141	924,500
Programming	859,300	799,180	709,000
Development/Public Relations	160,000	165,991	115,000
Yarmouth	110,000	39,748	110,000
Total	**3,074,000**	**2,807,682**	**3,000,100**
Surplus (Deficit)	**(126,900)**	**(268,341)**	**466**

Outcomes and Performance Measures

This year, the performance measures have been revised to align with the strategic goals and to provide more reliable and meaningful information regarding the key outcomes that the Art Gallery of Nova Scotia is striving to achieve. These measures can be monitored over the short term as well as the long term to track the progress in attaining the desired performance results.

Core Business Area 1 *Strategic Goal—Financial Sustainability, Governance and Accountability*

Outcome	Measure	Target	Strategies to Achieve Target
Achieve a balanced budget	Revenues greater than or equal to expenses	$0 operating balance	• Maximize revenue options • Cost containment if/when needed
	Admission fees received	$240,000	• Maintain sustainable revenue

Core Business Area 2 *Strategic Goal—Stewardship: Preserve, promote, interpret and develop Nova Scotia's diverse visual arts culture and heritage*

Outcome	Measure	Target	Strategies to Achieve Target
Promote public access to art	Attendance numbers	Baseline 66,000; increase to 67,000	• Promotions to stimulate attendance
	Number of exhibitions	two major international exhibitions secured and two NS exhibitions offered for tour	• Secure two international exhibitions and offer two Nova Scotia-generated exhibitions for national tour, within the established budget
	Number of objects in the permanent collection	Add 20 objects	• Primarily through donations and through a few purchases within the established budget, grow the collection with objects deemed significant Canadian cultural property by the CPERB

Core Business Area 3 *Strategic Goal—Economic Growth: Help support the economic and export potential of Nova Scotia's tourism, culture and heritage resources*

Outcome	Measure	Target	Strategies to Achieve Target
Develop AGNS as major tourism destination to strengthen Nova Scotia's tourism sector	Number of visitors from outside of region	Determine baseline this year with new point of sale (POS) system	• Change POS system to collect postal codes/zip codes to determine numbers of tourists visiting the gallery • Mount at least one significant exhibition in both peak and shoulder seasons and mount permanent collection exhibitions of Nova Scotia content in both peak and shoulder seasons

Core Business Area 4 *Strategic Goal—Education: Facilitate lifelong learning by providing access to Nova Scotia's visual arts culture and heritage and by providing programs that enhance the learning experience*

Outcome	Measure	Target	Strategies to Achieve Target
Improved learning experiences	Number of students served	Baseline 8000; increase to 8500	• Continued school and daycare programming • Continued outreach projects such as ArtSmarts, IWK programs, and ArtReach
	Number of volunteers	Baseline 100; increase to 125	• Consider tie-ins with the Senior Secretariat strategy as it relates to volunteerism

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Halifax-Dartmouth Bridge Commission
Business Plan 2006–2007

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Mission

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

Planning Context

Mandate

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

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

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

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

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

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

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

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

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

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

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

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

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

Key Programs

The Macdonald and MacKay Bridges rank among the most frequently used toll bridges in North America, on a per capita basis. In 2005, the Macdonald and MacKay Bridges facilitated approximately 31.9 million vehicle crossings. Total revenue generated in 2005 is estimated at $25 million.

The commission adheres to the principle of strategic investment planning, which focuses resources on maintaining the Angus L. Macdonald and the A. Murray MacKay Bridges in a relatively superior condition through a proactive maintenance program. Extending the useful life of the bridges, increasing capacity, improving efficiency, and enhancing safety are primary objectives in the decision-making process.

Protecting the bridges is a responsibility that the commission takes very seriously. Operations will continue to work on initiatives targeted toward achieving improvements in safety, security, and efficiency. The commission will invest $4 million over three years to enhance security, commencing in 2006.

A health study of the Macdonald Bridge in 2005, by consulting engineers Buckland and Taylor, identified it as one of the best-maintained suspension bridges in the world, for its age. Buckland and Taylor will do a health study of the MacKay Bridge in 2006. The top three maintenance programs in 2006 are to (1) complete painting the Macdonald Bridge main cables and suspender ropes; (2) install tiebacks for the Macdonald Bridge; and (3) replace sliding bearings and shoes on the MacKay Bridge.

In 2005, the commission and the Halifax Port Authority installed a GPS-based system on the Macdonald and MacKay Bridges to measure in real time the air gap of these structures[1]. Given the shipping industry trend toward larger containerships (post-Panamax container ships), the ability to accurately determine the air gap clearance of the bridges is important to the commission, in terms of ensuring public safety and the integrity of the bridges, and to Halifax Port Authority for its own long-term goals[2]. In 2006, Phase II of the air gap program—finalizing the automation software for the GPS system—will be completed. The technical expertise of the Halifax marine pilots, Canadian Hydrographic Service, and Dalhousie University's Department of Physical Oceanography has been instrumental to the success of this program.

In November 2005, the commission working in consultation with Halifax Regional Municipality's Traffic Department[3] conducted a successful trial reversal of the centre lane of the Macdonald Bridge to better accommodate the peak travel

[Footnote: 1. Air gap is defined as the clearance measurement from the waterline of the harbour to the lowest point of a bridge's superstructure.]

[Footnote 2. On January 21, 2006, the OOCL Chicago post-Panamax container ship became the first vessel to use the global positioning system (GPS) sensor technology installed on the Macdonald and MacKay Bridges to safely sail through Halifax Harbour.]

[Footnote 3. Halifax-Dartmouth Bridge Commission working in co-operation with Halifax Regional Municipality's Traffic Department to coordinate the sequencing of traffic lights at the major intersections leading onto and off of the Macdonald Bridge (North Street and Gottigen Street, Halifax, and Nantucket and Wyse Road, Dartmouth) contributed to the successful outcome.]

demand of spectators crossing the bridges for the Parade of Lights. In 2006, resources are allocated that will give the commission the ability to use the centre lane of the Macdonald Bridge to better manage traffic during periods of heavy demand.

Converting token and cash users to *MACPASS* and expanding the capabilities of *MACPASS* are priorities of the commission. At the end of 2005, there were 73,809 active transponders on the system. The goal is to grow this to 82,000 by the end of 2006. *MACPASS* processed approximately 15.3 million transactions in 2005 and by year-end accounted for 49.3 per cent of the 31.9 million vehicle crossings on the Macdonald and MacKay Bridges.

The commission is committed to providing healthy transportation alternatives. Projects undertaken by the commission include creation of a dedicated bicycle lane and separate pedestrian walkway on the Macdonald Bridge. These facilities provide a safer, more efficient, and more aesthetically pleasing experience for both user groups. The commission is proud to work with the Blue Nose International Marathon and BridgeMile organizations in support of "get moving" activities for youth and adults.

Organizational Structure

The commission board has nine members: five members appointed by the Province of Nova Scotia, including the Chair and Vice Chair[4]; and four members who are HRM Councillors, appointed by Halifax Regional Municipality. Within the board structure, standing committees deal specifically with Audit, Maintenance, Finance/Administration/ Planning, and Operations/Public Relations/ Marketing.

The commission employs 30 permanent administrative and maintenance staff and 50 members of the Canadian Corps of Commissionaires, on a contract basis. On a seasonal basis, the commission employs approximately 37 painters and 11 gardening staff.

Strengths

The commission's greatest strengths are its proven knowledge of the maintenance and operation of suspension bridges, its 50-plus years of experience in successfully performing these tasks, and its leadership position in the implementation and operation of electronic toll collection.

The commission is financially self-reliant and reports to the Minister of Finance for the Province of Nova Scotia. The Minister and Executive Council approve the commission's financing. As a self-funding user-pay operation, the commission receives no assistance from tax dollars, and its loans are not guaranteed by any level of

[Footnote 4. In May 2005, The Halifax-Dartmouth Bridge Commission Act received Royal Ascent. This new legislation created a Vice Chair position and eliminated the former Board Secretary position.]

government. The Nova Scotia Utility and Review Board approves the commission's toll rates.

The commission continues to achieve financial stability and meet its obligations to bondholders. Its already strong bond ratings continued in 2006: AA low by Dominion Bond Rating Service Limited and A+ by Standard & Poor's Rating Group.

The bridges are well maintained by the commission through strategic capital investments and a comprehensive maintenance plan which extends the life expectancy of the structures and ensures public safety.

The commission has had an ice-cast system in operation for the bridges, since 1992.

MACPASS has facilitated the conversion of cash and token users to a more efficient toll payment method. Benefits include faster transit times and ease of use/convenience for bridge patrons, significantly reduced toll plaza congestion and idling times, which benefit the environment. On average, *MACPASS* processes 85 per cent of the commission's commercial customers (Classes 2, 3, 4, and 5) and 47 per cent of the Class 1 transactions.

Importantly, *MACPASS* is the preferred payment method for the majority of Class 1 commuters. During Monday to Friday, electronic toll collection (*MACPASS*) accounts for 62 per cent of Class 1 transactions during the morning rush, 6 am until 9 am and 56 per cent of Class 1 transactions during the afternoon peak drive period, 3 pm until 6 pm.[5]

The commission's Traffic Alert System quickly communicates conditions that may affect travel on the bridges to more than 1,900 subscribers, bridge users, stakeholders, and media-via e-mail and cellular telephone messaging. Media supports the commission's efforts to communicate traffic conditions on the bridges and frequently relays the content of traffic alerts in their own travel advisories to the public.

Weaknesses

As the Macdonald Bridge (51 years old) and the MacKay Bridge (36 years old) continue to age, maintenance costs and the effort required to keep them healthy will escalate significantly over the next several years.

From a structural perspective, the commission is unable to increase physical capacity because the bridges themselves cannot sustain more weight.

The bridges are approaching full capacity, based on current growth projections.

The commission needs to replace its electronic toll collection system.

[Footnote 5. Halifax-Dartmouth Bridge Commission traffic statistics for January 2006.]

Opportunities

The commission remains focused on identifying potential growth opportunities within its core business areas. Under the Halifax-Dartmouth Bridge Commission Act, the commission is mandated to market its electronic toll collection system (*MACPASS*) to other toll collection agencies in Atlantic Canada. The commission is always looking for opportunities for strategic partnerships.

The ability to manipulate the direction that traffic flows in the centre lane of the Angus L. Macdonald Bridge gives the commission the ability to better utilize the bridge's capacity.

In 2005, the commission completed the installation of an air gap system that improves the commission's capability to monitor the Macdonald and MacKay Bridge structures.

Threats

Severe weather conditions, rising fuel costs, and a downturn in the economy can have a direct negative impact on traffic volumes on the bridges with implications for the overall financial performance of the commission. This was evidenced in 2005 by January's snowstorms and autumn's high gasoline prices, which reduced the commission's total vehicle crossings for the year by an estimated 1.5 per cent[6].

The world was irrevocably changed on September 11, 2001, with respect to ensuring the safety of the public and public buildings/structures. The commission takes its responsibility very seriously, in this regard.

Strategic Goals

In order to carry out its mission, the commission has defined the following goals as strategic:

1. Develop statements of long-term cash requirements for inclusion in and in support of the commission's long-term directional plan to be presented to the Nova Scotia Utility and Review Board (NSUARB).
2. Develop a directional plan communication strategy.
3. Focus on strengthening the commission's relationships with major stakeholders, including the Department of National Defence, Halifax Regional Municipality, and Halifax Port Authority.
4. More efficiently manage the directional flow of traffic in the centre lane of the Angus L. Macdonald Bridge on a traffic-demand basis.

[Footnote 6. Halifax-Dartmouth Bridge Commission traffic statistics for 2005 indicate a drop of 480,000 vehicle crossings attributable to the months of January, September, and October on a total of 31.9 million crossings for the year.]

5. Complete development and implementation of the air gap measurement system to assist with the safe transit of large commercial ships underneath the bridges.
6. Develop joint participation on potential Commonwealth Games projects. The commission will only cover long-term bridge requirements.

Core Business Areas

Safety and Emergency Preparedness

Goal—Maintaining public and employee safety through ongoing review and implementation of the commission's policies, operations, and initiatives

The safety of the travelling public is protected through a number of ongoing programs and initiatives including, but not limited to, the following.

Members of the Corps of Commissionaires continuously monitor bridge traffic conditions through video surveillance and patrols. This enables them to respond promptly to incidents and issue advisories to the public, stakeholders, and media as required, in a timely manner.

Since 1997, the commission has utilized various speed-enforcement tools in an effort to improve safety. These units enable staff to be more proactive with speed enforcement during bridge patrols. In 2005, more than 1,000 tickets were issued for violations of the Nova Scotia Motor Vehicle Act and Halifax-Dartmouth Bridge Commission By-laws on the bridges.

In addition, the commissionaires conduct monthly speed surveys to determine the impact that enforcement has on vehicle speed. Collision summaries are also produced quarterly to determine if the collision ratio per vehicle kilometre traveled (VKT) is reduced as a result of speed enforcement and/or other factors.

To ensure the safety of bridge patrons, the commission utilizes roadway ice-detection systems and maintains 24-hour-a-day maintenance staffing during the winter months. This allows for prompt attention to ice and snow removal on the structures and approaches, as bridges develop ice more quickly than other roadways.

Being appropriately prepared to handle emergency situations is the responsibility of all core business units. In 2005, the commission held two tabletop exercises for staff and one live exercise on the Macdonald Bridge, which involved first responders from HRM fire, police, ambulance, the Salvation Army, the Emergency Measures Officer for Halifax Regional Municipality, and the Emergency Measures Organization for Nova Scotia role-playing in conjunction with commission staff.

Maintenance

Goal—Maintaining the bridges and approaches in a relatively superior condition through a proactive maintenance program

A detailed and attentive program is essential to maintaining the bridges in a relatively superior manner and ensuring the safety of the travelling public. The commission's maintenance programs and initiatives include, but are not limited to, the following.

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

Conserving the steel on the bridges is an ongoing priority. Every year since 1965, the commission has employed a seasonal painting force whose responsibility it is to manually examine the steel for areas of wear, to eradicate the rust from that location, and to apply protective coatings/paint. It requires 36 painters working from early May to early October each year for three years to complete one program cycle for both bridges. For 2006, completing the painting of the main cables and suspender ropes on the Macdonald Bridge is the number one priority of the painting program.

The wearing surface on the Macdonald Bridge has not performed to standard. In 2005, sample patches of new materials, using differing application methods, were laid on the road surface. Their performance response to real conditions on the bridge—weather, salting, plowing, and traffic—is being monitored. This spring, an informed decision will be made as to the best material and method of application to use for resurfacing the roadway from cable bent to cable bent, with work to be completed in 2006.

The wind bearings and sliding bearing shoes on the MacKay Bridge will be repaired and/or replaced in 2006. These sliding bearings allow the bridge to flex and move in response to heavy vehicles and winds. This is the first replacement of these in the bridge's 36-year history.

Efficient Transportation

Goal—Maintaining convenient and reliable passage by working with stakeholders to identify access and egress improvements that will assist future capacity requirements

Goal—Continuing to market electronic toll collection (MACPASS) in order to decrease traffic congestion and accommodate future traffic growth

In recent years, great strides have been made to improve traffic flow on the bridges: the re-engineering of the Barrington Street ramp, the third lane on the Macdonald

Bridge, *MACPASS*, and the commission's Traffic Alert System[7]. The commission continues to focus on initiatives that provide effective results in efficient cross-harbour travel.

The strategic goal of efficient transportation is to utilize technology and traffic management tools to provide efficient toll collection, to reduce traffic congestion, and to accommodate future traffic growth.

Fiscal Management

Goal—Ensuring the commission's financial stability through efficient financial planning and management

Financial management and fiscal stability are achieved through various policies, programs, and initiatives including, but not limited to, the following.

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

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

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

[Footnote 7. Traffic alerts enable the commission to reach almost 1,000 subscribers-patrons, stakeholders and media-via e-mail and cellular messaging alerting them to conditions that may affect traffic on the bridges. This service is provided to subscribers at www. MACPASS.com and www.hdbc.ns.ca.]

Priorities for 2006–2007

These are the priorities that we are taking in support of the commission's core businesses.

Safety and Emergency Preparedness

The commission's safety priorities for 2006–2007 are as follows:

- Increase speed enforcement and vehicle weight control.
- Update the commission's Emergency Response Plan.
- Schedule emergency response tabletop exercises based upon updated plan.
- Finalize the commission's draft *Public Safety Manual*.
- Implement integrated security plan, Phase 1.
- Develop comprehensive training plan for Canadian Corps of Commissionaires staff.

Maintenance

The commission's maintenance priorities for 2006–2007 are as follows:

- Complete painting of the main cables and suspender ropes of the Macdonald Bridge.
- Install tiebacks on the Macdonald Bridge.
- Resurface the Macdonald Bridge roadway from cable bent to cable bent.
- Repair and replace bearings and shoes on the MacKay Bridge
- Commence and complete a health study for MacKay Bridge

Efficient Transportation

The commission's efficient transportation priorities for 2006–2007 are as follows:

- Renew the electronic toll-collection software.
- Test a new transponder for electronic toll collection to determine the feasibility of a more cost-efficient transponder.
- Develop procedures for the increased utilization of the Macdonald Bridge centre lane.
- Work with Halifax Regional Municipality to develop access improvements for the Windsor/ Robie/Barrington Street merge on the Halifax-side of the MacKay Bridge.

Fiscal Management

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

- Effectively collect tolls, both electronically and mechanically.
- Maintain the reliability of internal control systems.
- Meet obligations to bondholders.
- Meet capital project requirements.
- Manage the Operations and Maintenance budgets.
- Use the commission's cash flow for capital expenditures and for the reduction of debt.

Budget Context

From a fiscal management perspective, the commission continues to achieve financial stability and meet its obligations to bondholders. In 1997, the commission issued a $100-million Toll Revenue Bond Series 1 (maturing December 4, 2007) at an annual interest rate of 5.95 per cent. At the same time, a $30-million line of credit ($19 million outstanding) was arranged with the province. The Toll Revenue Bond Series 1 is secured by an assignment of the commission's revenues and is not guaranteed by the Province of Nova Scotia. These bonds are rated AA (low) by Dominion Bond Rating Service Limited and A+ by Standard & Poor's Ratings Group.

	Actual 2004–05 ($,000)	**Forecast 2005–06 ($,000)**	**Estimate 2006–07 ($,000)**
Revenue			
Toll revenue	22,978	23,068	22,932
Other rate charges	153	144	119
Investment and sundry income			
Trust fund investments	1,371	1,544	1,553
Other	282	320	285
Total Revenue	24,784	25,076	24,889
Expenses			
Operating	4,037	4,231	4,614
Maintenance	2,671	3,537	3,839
Amortization of capital assets	4,306	4,665	4,500
Amortization of deferred transponder charges	65	65	65
Interest on long-term debt and amortization of deferred financing costs	7,556	7,078	6,968
Total Expenses	18,635	19,576	19,986
Net Operating Income	$ 6,149	$ 5,500	$ 4,903

Outcomes and Performance Measures

Core Business Area 1 *Safety*

Outcome	Measure	Data	Target	Strategies to Achieve Target
Minimize the number of personal injury accidents and damage to property	Annual bridge statistics of collisions resulting in personal injury or property loss	Year 2003[8]: .26/100,000 vehicle kilometres travelled (VKT) Year 2004: .12/100,000 VKT Year 2005: .17/100,000 VKT	Year 2006: .12/100,000 VKT	• Increase speed enforcement • Review posted signage to ensure clarity
Compliance with the posted speed	Annual bridge statistics of average speeds	Year 2003[9]: MacKay Bridge 78.4 km/hr (posted speed limit 70 km/hr); Macdonald Bridge: 62 km/hr (posted speed limit 50 km/hr) Year 2004: MacKay Bridge: 79.7 km/hr (posted speed limit 70 km/hr); Macdonald Bridge 63.6 km/hr (posted speed limit 50 km/hr) Year 2005: MacKay Bridge average speed 80.58 km/hr (posted speed limit: 70 km/hr); Macdonald Bridge average speed 64.23 km/hr. (posted speed limit: 50 km/hr)	Reduce speed violations Reduce average speed	• Increase frequency of Bridge Police patrols • Develop and implement standard operating procedures to ensure efficiency and effectiveness of Bridge Police
Implement security plan Phase 1	Future vulnerability reports	Year 2005: Final report was completed	Year 2006: Award contract and complete Phase 1 Year 2007: Complete Phase 2 Year 2008: Complete Phase 3	• Review vulnerability assessment • Implement project schedule

[Footnote [8]. During 2003, the recording procedure for collisions was changed to reflect only collisions involving personal injury, vehicle damage, or harm to the commission's property. This measure more accurately reflects the number of collisions per 100,000 VKT.]

[Footnote [9]. During 2003, the locations where statistics are gathered to provide speed survey data were changed to more accurately reflect areas of jurisdiction.]

Core Business Area 2 *Maintenance*

Outcome	Measure	Data	Target	Strategies to Achieve Target
Bridges maintained in a relatively superior condition	Engineer's annual inspection report Periodic thickness testing	Ongoing painting program (May-October) for both bridges. When the cycle is complete, the painters start back at the beginning.	Continuous on a three-year cycle	Annual painting program
Cables maintained (minimal flaking and cracking of the main cable coating)	Engineer's annual inspection report	Year 2004: 10% complete Year 2005: 30% complete	2006: 100% complete painting of the main cables and suspender ropes (Macdonald Bridge)	Use of cable crawler for painting and inspections
Resurfacing suspended span Macdonald Bridge-improve performance and maintain integrity of the roadway	Engineer's annual inspection report	2004: installation of current road surface.	2006: 100% complete	Weekend closures of a single lane at a time
Installation of tiebacks on the Macdonald Bridge-improve safety margin of the Macdonald Bridge	Engineer's annual inspection report		2006: 100% complete	Schedule work to coincide with resurfacing of Macdonald Bridge
Replacement and repair of sliding bearings and shoes on the MacKay Bridge	Engineer's annual inspection report		2006: 100% complete	Replacement of tower sliding bearings to be done during weekend closures; wind bearing replacement can be done without affecting traffic

Core Business Area 3 *Efficient Transportation*

Outcome	Measure	Data	Target	Strategies to Achieve Target
Increase the efficiency of traffic flow by increasing throughput and reducing congestion	Total number of active transponders on the system and the annual percentage of *MACPASS* usage as at December 31 (annual percentage of *MACPASS* usage)	Year 2001: 36,027 (32.35%) Year 2002: 46,900 (39.07%) Year 2003: 55,972 (43.33%) Year 2004: 64,874 (47.13%) Year 2005: 73,809 (49.28 %)	Year 2006: 82,000 (52%)	• Increase distribution • Protect brand reputation • Provide excellence in customer service
Better utilization of the Macdonald Bridge centre lane on a traffic demand basis	Reduced waiting times for patrons and increased customer satisfaction	Frequency of centre lane reversals and customer satisfaction levels	Increased level of customer satisfaction	• Develop procedures and technical ability • Partner with Halifax Regional Municipality for coordinated approach (i.e., access and egress traffic light sequencing)

Core Business Area 3 *Fiscal Management*

Outcome	Measure	Data	Target	Strategies to Achieve Target
Reduced net debt	Accumulation of capital and sinking funds	Years 2000–2005: $5 million/year in each of these years	Year 2006: $5 million/year	Maintain • the bridges in a relatively superior condition. • efficiency of crossings • effective toll collection • good internal controls • effective budget management • good cash management
Positive cash flow	The number of times the line of credit is utilized	Years 2000–2005: zero	Year 2006: zero	Sufficient funds to run business, preventing the use of bank line of credit
Meet obligations to bondholders	Continuance of positive bond ratings	Years 1997–2000: Bond ratings AA (low) and A+ Year 2005: Same as above	Year 2006: Maintain baseline	Fulfil covenants of the trust indenture and meet interest payment requirements

Crown Corporation

BUSINESS PLANS

FOR THE FISCAL YEAR 2006–2007

InNOVAcorp

Business Plan 2006–2007

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Mission

To enable Nova Scotia companies to accelerate the commercialization of their technologies and increase competitiveness in export markets

Vision

InNOVAcorp strives to deliver the most effective technology commercialization practice in North America as it moves toward a bold vision of the desired state of the Nova Scotia innovation capital markets by 2015. This vision comes not from focusing on what is wrong. Rather, it comes from focusing on "what it will take" to move Nova Scotia's innovation and capital markets forward. To this end, InNOVAcorp has used its daily interactions with entrepreneurs, private industry, angel and venture capitalists, academia, industry associations, and public-sector agencies to determine, holistically, how interdependent agendas must move forward.

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

Introduction

In 2005–2006, InNOVAcorp re-emerged as Nova Scotia's "go to" organization for technology commercialization.

Daily, InNOVAcorp staff engage high-potential early-stage technology companies to provide customized, hands-on business guidance, tailored to fit specific business challenges.

These challenges vary, but typically include fundamental business planning, intellectual property identification and protection strategies, access to specialized infrastructure, implementing product-development best practices, financial and accounting management, cash-flow management, value-proposition development, pricing strategies, competitive analysis, state-of-the-art marketing techniques, sales and distribution channel strategies, and obtaining seed and venture capital.

The InNOVAcorp High Performance Incubation (HPi™) business model is recognized locally and internationally as a best-practice technology commercialization approach. This model comprises three interwoven resources—incubation infrastructure, business mentoring, and seed/venture capital investment—to help entrepreneurs overcome traditional hurdles to business growth.

The numbers show that the HPi approach is working. In 2005–2006, InNOVAcorp's mentoring services advanced the efforts of more than 65 early-stage Nova Scotia companies and more than 25 university research-level projects. At fiscal year-end, our incubation facilities topped 85 per cent occupancy. InNOVAcorp's annual client survey, conducted in January 2006, demonstrates that 89 per cent of clients are satisfied with InNOVAcorp's services and that more than 90 per cent would recommend our services.

Through our management of the Nova Scotia First Fund (NSFF), InNOVAcorp operates as an active and effective venture capitalist. Since the fund was recapitalized in 2003–2004, InNOVAcorp has approved and invested more than $4 million in promising early-stage companies based in Nova Scotia. In the last 30 months alone, the corporation has attracted more than $14 million from angel and strategic investors, financial institutions, and other seed and venture capital funds. More than $8 million of this investment originated outside Atlantic Canada.

While we are proud of these statistics, which we believe clearly illustrate the high value our clients obtain from our services, InNOVAcorp strives to continuously strengthen the value it adds to client companies. In 2006–2007, InNOVAcorp will focus on maximizing the value add of our HPi business model. Further, InNOVAcorp has refined its go-forward metrics to track economic impact, client satisfaction, as well as leading indicators that provide insight on future commercialization in Nova Scotia.

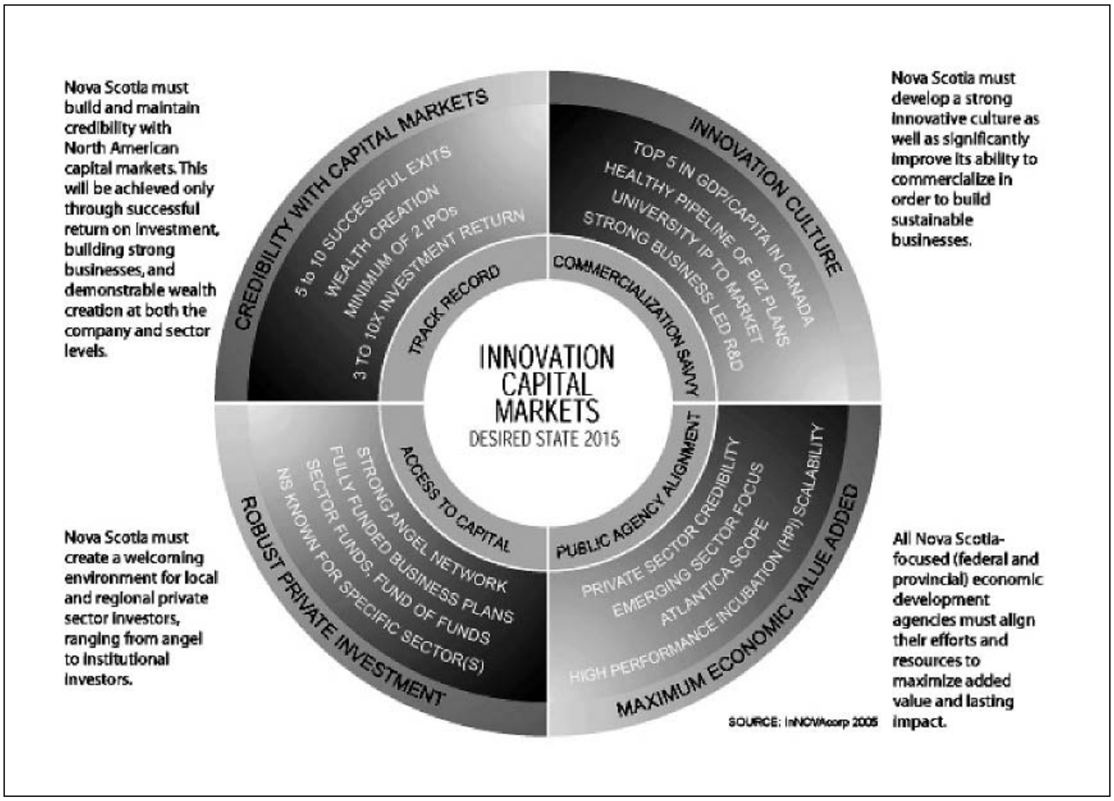
We will achieve this, in part, by maximizing the benefits generated by our collaboration with private, academic, and public-sector organizations. Our newly refined metrics will improve tracking and outcomes in three key areas: economic impact, client satisfaction, and leading indicators of client-related statistics.

Strengthening our suite of services to clients, in 2006–2007 InNOVAcorp will enhance the ability of Nova Scotia companies to commercialize research and innovation, supporting improved productivity, competitiveness in global markets, and Nova Scotia's overall prosperity.

Planning Context

Nova Scotia's ability to compete—regionally and globally—is increasingly reliant on the research and innovation it effectively commercializes. Falling levels of productivity and global competitiveness, relative to those of other provinces in Canada, must be addressed.

As global capital markets strengthen and the Canadian economy continues to grow, Nova Scotia must strategically position itself and proactively set the right conditions to gain its fair share of prosperity.



Among our most cherished assets are our universities and colleges. Though high-quality educational and research institutions, they have been unable to successfully commercialize high-potential technologies. In this context, InNOVAcorp must increase its efforts by partnering further with entrepreneurs that are active within these post-secondary institutions.

Nova Scotia's unemployment rate is the lowest it has been in decades. In certain high-growth areas such as information technology (IT) and life sciences, human capital is scarce and growing scarcer. To reverse this trend, Nova Scotia must do more to create an environment of challenging opportunities and welcoming communities to repatriate those who would return to join established companies or build their own start-up opportunities in the province. To this end, through daily interaction with early-stage entrepreneurs, researchers, and high-growth potential companies, InNOVAcorp will continue to play a leadership role through its High Performance Incubation (HPi™) business model.

Internationally recognized as a best-practice technology-commercialization approach, the HPi model combines InNOVAcorp's drive to maximize added value with mechanisms for continuous improvement. As such, it is a vital element in improving Nova Scotia's productivity.

Consistent with the province's existing economic growth strategy Opportunities for Prosperity and its soon-to-be released successor, Nova Scotia: Opportunities for Sustainable Prosperity (OFSP), InNOVAcorp looks forward to contributing to the growth of Nova Scotia's economy through our work, particularly in the areas of financial capital, human capital, export, increased productivity through innovation, and increased competitiveness.

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

InNOVAcorp SWOT Analysis

In keeping with its culture of continuous improvement, InNOVAcorp first performed an objective analysis of its strengths, weaknesses, opportunities, and threats (SWOT) in the 2005–2006 fiscal year. That analysis has been updated for 2006–2007.

Strengths

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

- recognized best-practice HPi business model (incubation, mentoring, and investment)
- highly relevant and easily leveraged private-sector business and technical expertise
- global commercialization expertise and industry contacts
- venture and seed capital investment expertise and private-sector capital market credibility
- investment fund liquidity Nova Scotia First Fund (NSFF)
- incubation infrastructure and land assets
- collaborative culture, leveraged to maximize synergies between private and public sectors
- industrial engineering expertise
- private-sector business credibility
- supportive, diversified, and balanced board of directors
- strong referral network
- organizational adaptability

Weaknesses

Absence of specific required strengths

- communication of added value and significant success stories
- scalability of HPi model to meet growing list of opportunities

Opportunities

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

- systematically strengthen and renew the InNOVAcorp brand to increase opportunity pipeline
- replenish the Nova Scotia First Fund
- expand subject matter expert and mentoring network by leveraging expatriates and retirees
- further leverage relationships with Nova Scotia universities, Nova Scotia Community College network, economic agencies and regional development authorities (RDAs) to increase InNOVAcorp's impact outside Halifax Regional Municipality (HRM) and Cape Breton
- further expand InNOVAcorp's relationship with academia to improve research receptor capacity
- deliver advanced information technology services to resident and affiliate clients
- increase leverage of industrial engineering expertise

Threats

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

- proposed future development plans for the Halifax waterfront could potentially displace the BioScience Enterprise Centre
- a decrease in already below-average private seed/venture capital investments in Nova Scotia results in a significant reduction in entrepreneurial activity

Support for Government Priorities

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

Economic Development and Infrastructure

InNOVAcorp plays a critically important role in helping to prepare early-stage Nova Scotia companies for global markets. With InNOVAcorp's support through incubation, mentoring, and facilitating access to capital, an increasing number of these companies will attract private investment, successfully enter new markets, and help grow the Nova Scotia economy.

More specifically, InNOVAcorp's involvement with client companies creates knowledge economy jobs, establishes wealth, typically reinvested in the province, and improves access to seed and venture capital.

InNOVAcorp's credibility as a receptor and enabler of research commercialization continues to increase as the province's universities and the Nova Scotia Community College derive benefits from the HPi model.

In 2006–2007, in co-operation with the Office of Economic Development (OED) and post-secondary institutions across Nova Scotia, InNOVAcorp will support the early-stage commercialization efforts of the best university-based research through the Early Stage Commercialization Fund. Successfully piloted in conjunction with Acadia University in 2005–2006, the fund encourages researchers to submit commercialization plans for their research and raises awareness of InNOVAcorp's services to entrepreneurs in the areas of business planning support and implementation.

In addition, through mutually beneficial relationships with Springboard and the Provincial Industry Liaison Office (ILO) Network, InNOVAcorp will proactively support innovation programs that encourage the commercialization of technology at the university and community levels.

Environment, Energy-Green and Sustainable

Through membership in the Premier's Council on Innovation and hands-on support of entrepreneurs working in the fields of alternative energy and remediation, InNOVAcorp actively participates in work to ensure an environmentally sustainable prosperity for Nova Scotia.

Among InNOVAcorp's clients advancing environmental technologies and initiatives are Armstrong Morrell Inc. (remediation); Pro-Oceanus Systems Inc., (oceanic testing and analysis); Green Power Labs Inc. (alternative energy/solar technology); and the Nova Scotia Environmental Industry Association.

Strategic Goals

Two broad strategic goals drive InNOVAcorp's activities:

- to accelerate Nova Scotia technology companies through the start-up and early-development stages of the commercialization process
- to collaborate with public and private partners to build a dynamic and stable entrepreneurial culture in Nova Scotia

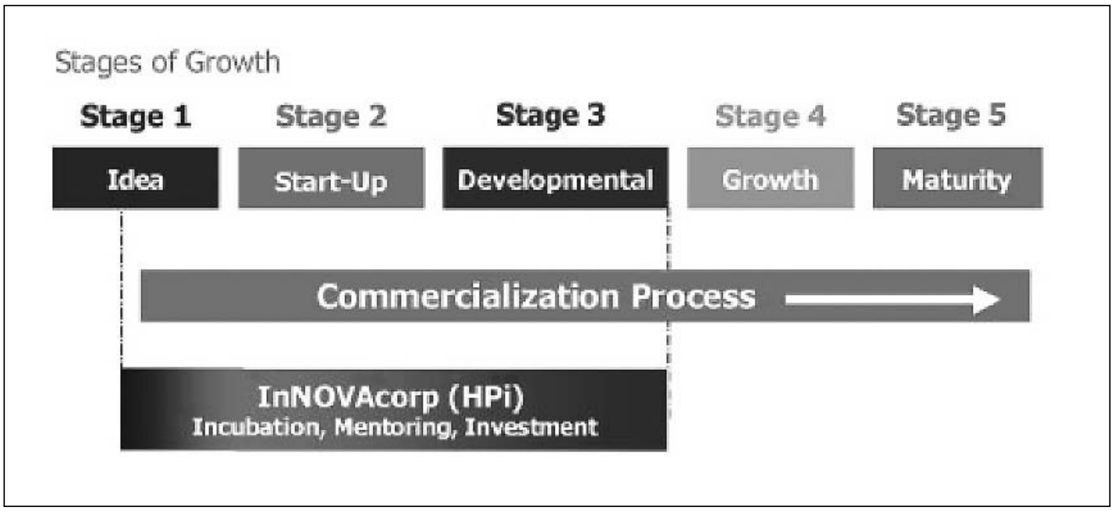
Core Business Area

The High Performance Incubation (HPi) business model represents InNOVAcorp's core business offering.

Recognized internationally as a best-practice approach to technology commercialization, HPi comprises three interwoven resources; incubation infrastructure, business mentoring, and seed/venture capital investment, to help entrepreneurs address and overcome traditional hurdles to business growth.

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

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



Incubation

As an active member of both CABI (Canadian Association of Business Incubators) and NBIA (National Business Incubation Association), InNOVAcorp manages two incubation facilities:

- the Technology Innovation Centre in Dartmouth, which targets companies in the information technology (IT) and engineering industries
- the BioScience Enterprise Centre in downtown Halifax, which focuses on companies in the life sciences industry

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

In 2006–2007, InNOVAcorp will complete Phase I of the Woodside Knowledge Park to accommodate the Ocean Nutrition Canada (ONC) micro-encapsulation facility.

Going forward, InNOVAcorp will look to combine physical facilities managed by InNOVAcorp to provide a critical mass of incubation infrastructure and an expanding affiliate client and affiliate incubator network.

Affiliate clients located across Nova Scotia, while not physically located in our incubation facilities, will benefit from InNOVAcorp business services and will be candidates for mentoring and investment.

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

At the end of fiscal 2005–2006, InNOVAcorp's incubation facilities stood at 85 per cent occupancy. As tenants typically "graduate" from the incubation facility as they progress through the third stage of the business development cycle, in 2006–2007, InNOVAcorp will strive to maintain occupancy of its incubation facilities at approximately 87 per cent, thus enabling the corporation to offer incubation services to new clients and allowing the tactical expansions of existing tenants.

Mentoring

Through its business advisory services and relationship management network, InNOVAcorp offers high-potential early-stage technology businesses the hands-on support they need to grow. By leveraging InNOVAcorp's corporate knowledge base and the experience of others in the business community, our mentoring program helps clients find more direct and cost-effective paths to success.

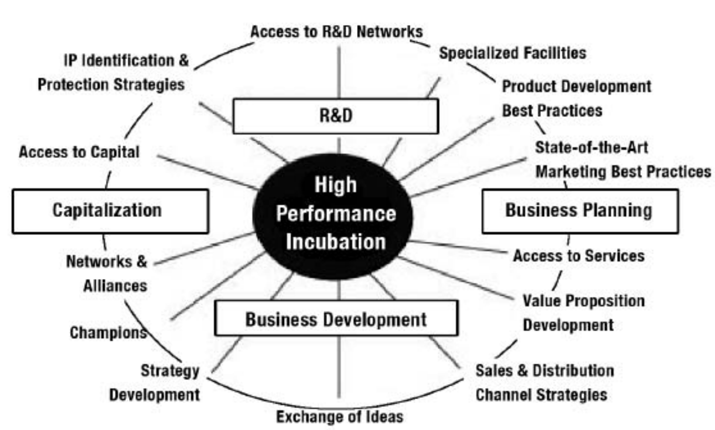
InNOVAcorp uses a tailored approach to assisting entrepreneurs, meeting the unique requirements of each client during each stage of the business growth cycle. Its comprehensive suite of services includes fundamental business planning, intellectual property identification and protection strategies, access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

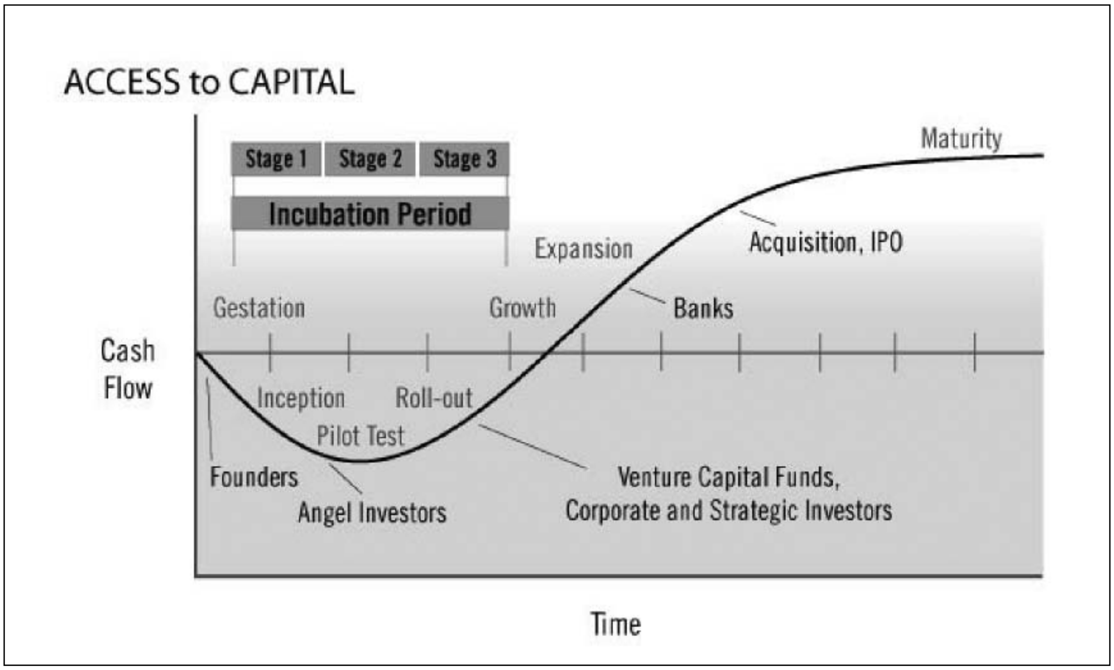
In 2005–2006, InNOVAcorp provided advisory services and relationship management support to more than 65 high-potential early-stage Nova Scotia companies and reviewed and advised more than 25 university research-level projects.

In 2006–2007, to further meet the needs of clients, InNOVAcorp will strengthen its expertise in key sectors, such as information and communication technology (ICT) and life sciences, and will actively monitor emerging sectors (e.g., aerospace and defence) to ensure appropriate levels of corresponding in-house mentoring resources. Hiring practices will be strategic and based on requirements to support actual and forecasted levels of client activity. Business expertise in the community and abroad will be accessed to efficiently and effectively build and maintain a robust external mentoring network.

We will formally establish the Entrepreneur Roundtable Program, which will provide an opportunity for entrepreneurs to interact with and gain invaluable insight from those who have been in relevant areas of business building, thus leveraging available expertise to its fullest potential.

InNOVAcorp will use its experience and expertise to positively influence post-secondary curriculum in the area of business planning and commercialization strategies. The corporation will continue to further post-secondary innovation programs by forging and maintaining mutually beneficial relationships at the university and college levels (e.g., Springboard and the Provincial ILO Network). In conjunction with Nova Scotia universities and OED, InNOVAcorp will continue to manage the Early Stage Commercialization Fund and to review, advise, and support early-stage technology commercialization of the best university-based research.





InNOVAcorp will increase support for rural innovation through co-management of the Nova Scotia Co-operative Council's Proof-of-Concept Fund. By encouraging university students and researchers to prepare business plans that prove their business concept, the fund serves to advance projects to the point where they may be considered for follow-on investment.

For the benefit of clients, InNOVAcorp will strive to remain abreast of funding programs and incentives. To this end, the corporation will promote relationships with providers of early-stage capital, including government agencies and departments, angel networks, associations, and private-sector partners.

Investment

The Nova Scotia First Fund (NSFF) provides early-stage high-growth potential companies with timely venture investments of between $100,000 and $1 million. Its objective is to maximize return on investment for Nova Scotia while contributing to the growth of the province's economy. Managed by InNOVAcorp, the fund has leveraged more than $90 million in risk and venture capital. Since its recapitalization in 2003–2004, the fund has leveraged more than $14 million of investment ($8 million from outside Atlantic Canada) from financial institutions, strategic and angel investors, and other seed and venture capital funds for early-stage high-growth companies.

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

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

Priorities for 2006–2007

In 2005–2006, InNOVAcorp re-emerged as the “go to” organization for technology commercialization. Through effectively scaling our services and by increasing the value we bring to private, academic, and public-sector collaborations, in 2006–2007 InNOVAcorp will increase our positive impact on the Nova Scotia economy through seven priorities:

1. scale up InNOVAcorp's HPi business model
2. strengthen InNOVAcorp brand awareness in Nova Scotia
3. implement Phase I of the InNOVAcorp Knowledge Park
4. increase return on investment in post-secondary research through collaboration with universities and colleges
5. implement leading-edge IT services for clients and staff
6. ensure continuity of the BioScience Enterprise Centre
7. maximize the economic impact of the Nova Scotia First Fund

1. Scale up InNOVAcorp's HPi business model

InNOVAcorp will optimize the scale of its HPi business model to achieve maximum benefit for clients and return on investment for Nova Scotia. The results will include an increased number of clients assisted, improved depth and quality of service provided, and increased level of client satisfaction.

Activities include the following:

- refining the formal definition of an InNOVAcorp client and enhancing the client recruitment and entry process
- developing a self-qualification model to better prepare clients for discovery and follow-up criteria verification

- expanding the affiliate client and affiliate incubator network to provide entrepreneurs across the province with the benefits of InNOVAcorp's services
- enhancing services and access to significant business expertise in the community and abroad by building a relevant and robust external mentoring network
- expanding support for rural innovation through co-management of the Nova Scotia Cooperative Council's Proof-of-Concept Fund
- administering and refining the Early Stage Commercialization Fund to support early-stage technology commercialization efforts of the best post-secondary institution research
- establishing the Entrepreneur Roundtable Program and leveraging its expertise
- augmenting client services in the areas of information technology and human resource development assistance
- refining the HPi Micro-Fund process to benefit an increased number of clients
- maintaining strategic involvement in the life sciences industry and ensuring that a high level of commercialization support and expertise is available for this industry through InNOVAcorp's HPi business model
- developing and managing a sustainable pipeline of client prospects

2. Strengthen InNOVAcorp brand awareness in Nova Scotia

InNOVAcorp will further strengthen its brand so it can recruit the best entrepreneurs, partners, and employees. The ultimate goal is to increase the quantity and quality of existing and prospective clients and achieve a high awareness of InNOVAcorp's service offering among entrepreneurs across Nova Scotia. The results will also include increased client satisfaction and awareness of services, enhanced website presence and a rise in visitor traffic, and an increased profile with media and other economic development entities across the province.

Activities include the following:

- improving the HPi business model and operations to address areas for improvement identified in the 2005–2006 client and employee surveys
- enhancing communications messages and materials to promote InNOVAcorp's services and value
- redesigning InNOVAcorp's online presence to increase its value for InNOVAcorp and its stakeholders
- working with rural-based OED, Nova Scotia Business Inc. (NSBI), and RDA personnel to ensure that they have a high level of awareness of InNOVAcorp so they can provide high-quality client referrals

3. Implement Phase I of the InNOVAcorp Knowledge Park

Following the official announcement of the Knowledge Park and the subsequent construction start for Ocean Nutrition Canada's (ONC) new manufacturing plant on the property, InNOVAcorp will now work to ensure that the remainder of the park can be developed for best use and recruitment of other knowledge industry tenants. The results will include the opening of ONC's new facility, completion of the interchange road extension into the park, and launch of a marketing and sales campaign.

Activities include the following:

- working with ONC to secure the park infrastructure and services needed to construct and operate its micro-encapsulation facility
- developing a best-practice concept and operational plan to ensure the best use of and financial return on the remaining park properties
- working with municipal and provincial government departments to ensure completion of the interchange road extension
- developing a marketing and sales campaign to recruit park clients

4. Increase return on investment in post-secondary research through collaboration with universities and colleges

InNOVAcorp will collaborate with Nova Scotia's universities and colleges to increase the return on investment in post-secondary research. The results will be an increased number of post-secondary research projects that advance along the early stages of the commercialization continuum.

Activities include the following:

- ensuring, in collaboration with the Nova Scotia university industry liaison officers (ILOs), that high-potential research commercialization opportunities are provided a high level of commercialization expertise through InNOVAcorp's HPi business model
- providing, in collaboration with the Nova Scotia Community College (NSCC), HPi services to applied research projects in the colleges

5. Implement leading-edge IT services for clients and staff

InNOVAcorp's 2005–2006 client survey found that 35 per cent of clients consider quality of technology infrastructure to be very important and InNOVAcorp is not meeting their expectations in this area. Recent technology infrastructure improvements (e.g., dark fibre loop, computer server consolidation) enable the provision of advanced IT services to clients and staff.

InNOVAcorp will deliver to clients and employees improved access to cost-effective, state-of-the-art voice and data IT services. The results will include increased level of client and staff satisfaction with InNOVAcorp's technology infrastructure and support, and enhanced voice and data services.

Activities include the following:

- upgrading the IT infrastructure to leverage dark fibre
- developing the pricing and service delivery model for voice and data services for clients
- piloting, and then phasing in, new voice and data services for clients
- augmenting corporate human resources in the area of IT to support infrastructure and service enhancement
- ensuring that InNOVAcorp employees are working with, and properly trained in, the latest information and communications technology, for maximum productivity and job satisfaction

6. Ensure continuity of the BioScience Enterprise Centre

The BioScience Enterprise Centre provides specialized facilities, infrastructure, and services that are critical to the growth and success of its life sciences clients. InNOVAcorp has successfully recruited new life sciences clients to the BioScience Centre and expects to achieve 87 per cent occupancy in 2006. The proposed future development plans for the Halifax waterfront could potentially displace the BioScience Centre.

InNOVAcorp will ensure continuity of the BioScience Centre and its positive impact on the life sciences industry. Results will include developing and obtaining approval for a go-forward plan for the BioScience Centre to benefit existing and future client companies.

Activities include the following:

- working proactively with key stakeholders to ensure that the critical nature of the BioScience Centre is taken into account in the Halifax waterfront development plans
- developing a comprehensive strategy and supporting business case for the construction of a new BioScience Centre
- creating a plan for a seamless, one-move transition into a new facility that allows for expansion of and minimum inconvenience for existing tenants

7. Maximize the economic impact of the Nova Scotia First Fund

InNOVAcorp's Nova Scotia First Fund (NSFF) and other investments are managed to provide maximum benefit for the Nova Scotia economy and to ensure that investees benefit from the other elements of InNOVAcorp's HPi business model, including capitalizing on incubation and mentoring resources.

In 2006–2007, InNOVAcorp will maximize the economic impact of the Nova Scotia First Fund and play a key role in improving the province's capital innovation markets. The results will include development and approval of a plan to replenish the Nova Scotia First Fund, an improved investment process at InNOVAcorp, and new investment transactions.

Activities include the following:

- increasing leverage of the Nova Scotia First Fund on a company-by-company basis
- targeting new and follow-on investments while continuing to manage the existing portfolio of investee companies
- aligning the risk capital environment and expectations with those of other jurisdictions
- exploring fund level leverage opportunities to increase the pool of seed and venture capital for high-potential early-stage Nova Scotia companies
- helping position existing investee companies to attract additional venture capital

Budget Context

Financial Management

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

	Estimate 2005–06 ($)	Forecast 2005–06 ($)	Estimate 2006–07 ($)
Revenues and Grants			
Operating and Capital Funding	2,295,000	2,595,000	3,057,000
Valuation Allowance Funding	300,000	300,000	-
NS Funding Recognized (deferred) re capital assets acquired	411,000	331,000	334,000
Mentoring	300,000	199,000	229,000
Incubation	1,415,000	1,647,000	1,690,000
Product Engineering	422,000	296,000	341,000
	5,143,000	5,368,000	5,651,000
Expenses			
Mentoring	578,000	644,000	648,000
Incubation	1,470,000	1,670,000	1,606,000
Investment	408,000	428,000	406,000
Product Engineering	414,000	265,000	323,000
Corporate Services	1,334,000	1,241,000	1,637,000
	4,204,000	4,248,000	4,620,000
EBITDA			
Provincial Funding	2,595,000	2,895,000	3,057,000
NS Funding Recognized (deferred) re capital assets acquired	411,000	331,000	334,000
Mentoring	(278,000)	(445,000)	(419,000)
Incubation	(55,000)	(23,000)	84,000
Investment	(408,000)	(428,000)	(406,000)
Product Engineering	8,000	31,000	18,000
Corporate Services	(1,334,000)	(1,241,000)	(1,637,000)
EBITDA	939,000	1,120,000	1,031,000

	Estimate 2005–06 ($)	Forecast 2005–06 ($)	Estimate 2006–07 ($)
Non-Operating Items			
NSFF Total Return	(295,000)	(501,000)	(650,000)
Post Retirement Benefits and Long Service Award	(100,000)	(184,000)	(217,000)
Amortization	(752,000)	(751,000)	(807,000)
Interest Income (expense) Dividends and Capital Gains (losses)	(67,000)	(63,000)	(114,000)
Discontinued Operations		(8,000)	
Unusual Item		112,000	482,000
	(1,214,000)	(1,395,000)	(1,306,000)
	(275,000)	(275,000)	(275,000)

InNOVAcorp continues to develop and deliver advanced value-added services in the areas of incubator design and management, IT services, and business consulting. There is an opportunity to supplement InNOVAcorp's operational budget with revenues generated from these services. InNOVAcorp will explore these revenue-generation opportunities while ensuring consistent delivery on its charter and no dip in client satisfaction. Revenues will be used to reduce InNOVAcorp's deficit and to invest in other client services.

Outcomes and Performance Measures

This section outlines the performance measures InNOVAcorp will track in 2006–2007. Using 2005–2006 as a baseline, these economic impact, client satisfaction, and leading indicator metrics will be an indication of how well the strategic goals are being met. The priorities and the operational plan to achieve them are presented in this document under the section titled Priorities for 2006–2007.

Core Business Area 1

Measure	Base Year 2005–06	Target 2006–07
Economic Impact Metrics		
Revenue generated by client companies:		
While most of InNOVAcorp's clients are early-stage companies, this measure would track the annual revenue, measured in millions of Canadian dollars, generated by the client companies.	$120 million	10–15% growth
Employment generated by client companies:		
This measure would track the annual employment generated by the client companies.	860	900–1000
Total employment payroll of client companies.	$40 million	$40.5 million–45 million
Amount of Nova Scotia First Fund (NSFF) leveraged investments:		
The cumulative amount of investment made in client companies in which investments were made by the NSFF, measured both in ratio and in millions of Canadian dollars. InNOVAcorp's stated goal is to achieve a ratio of 1:4, meaning that for every $1 invested by the NSFF, $4 would be invested by syndicated investors.	$92.8 million	$97.8 million–102.8 million

Measure	Base Year 2005–06	Target 2006–07
Client Satisfaction Metrics ***Percentage of clients satisfied with InNOVAcorp services overall:*** Measured annually through an objective third party-conducted survey, clients are asked for their feedback on InNOVAcorp's performance and value add. At the end of the survey, clients are asked how satisfied they are overall with the services provided by InNOVAcorp. This metric is considered a key indicator of InNOVAcorp's value add.	89%	92%
Percentage of clients that would recommend InNOVAcorp to a business colleague: Measured annually through an objective third party conducted survey, clients are asked for their feedback on InNOVAcorp's performance and value add. At the end of the survey, clients are asked whether they would recommend the services of InNOVAcorp to a friend or colleague. This metric is considered a key indicator of InNOVAcorp's value add.	90%	92%

Core Business Area 3

Measure	Base Year 2005–06	Target 2006–07
Leading Indicator Metrics Number of clients	85	90
Number of new clients	12	15
Incubation occupancy levels	85%	87%
Number of clients exporting products/services internationally	42	50

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

Crown Corporation
BUSINESS PLANS
FOR THE FISCAL YEAR 2006–2007

Nova Scotia Business Incorporated
Business Plan 2006–2007

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Mission

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

Strategic Goals

Nova Scotia Business Inc. (NSBI) was created as a result of the province's economic growth strategy, *Opportunities for Prosperity*, which was released in 2000. In November 2001, the private sector-led agency became fully operational, with a mandate to help existing businesses in Nova Scotia to grow and expand and to attract new investment to the province. As the province's business development agency, NSBI is responsible for the front-line business development functions of the province.

NSBI prides itself on generating a return on investment for Nova Scotia taxpayers by investing wisely in businesses that are export and growth oriented, innovative and sustainable. For example, NSBI's collective efforts with businesses and partners in fiscal year 2005–2006 are expected to create and maintain close to 5,000 jobs at an annual payroll of approximately $200 million. This translates into over $25 million in direct provincial taxes each and every year, which the province can use to fund government priorities like health care and education.

NSBI's business development activities are driven by five strategic goals:

- Enable new and existing businesses in Nova Scotia to exploit business opportunities in local and export markets.
- Attract leading-edge, sustainable business investment to Nova Scotia that will provide immediate and long-term economic benefits to the province.
- Provide access to capital for new/existing businesses in Nova Scotia, to enhance value-added growth for the province's economy.
- Increase the visibility and recognition of Nova Scotia—its business climate, advantages, and capabilities—at home and abroad.
- Develop an action-oriented, client-focused organizational culture that encourages, empowers, and supports high performance, entrepreneurial thinking, and professionalism.

During fiscal year 2006–2007, NSBI will continue to focus attention and resources to achieve these goals.

Planning Context

The pace of globalization continues to accelerate as the world becomes more interconnected, with an expanding flow of information, financial capital, technology, goods, services, and people. Supply chains are increasingly spread across the globe with business functions placed in their most strategic location, with the result that countries like China, India, Brazil, and others are playing an even larger role in the global economy.

Within Nova Scotia, the near-generational low unemployment rate in the province has created potential new challenges for businesses-retaining and accessing the required skill sets necessary for them to grow and expand.

Many of the business challenges that existed in fiscal year 2005–2006 remain, while the intensity of some of these challenges has increased. Key issues for fiscal year 2006–2007 include the following:

- energy prices and the impact on raw material inputs
- the higher value of the Canadian dollar relative to the US dollar, which makes it more difficult to compete in the US (this is particularly true given that the US remains our largest trading partner)
- business climate issues
- continued rising competition from high-growth, low-cost markets such as China and India
- a very competitive environment for foreign direct investment
- growth challenges for small to medium enterprises (SMEs), including access to capital and skilled labour, profitability constraints, productivity performance, and succession planning

Economic Update

China's near-insatiable desire for commodities provides the global economic backdrop against which all economies—Canada's and Nova Scotia's included—must transition themselves in order to sustain growth over the long term. This one economic force alone is helping to propel the aggregate world economy along at a 4 per cent GDP growth clip through 2006.

Exchange rate and commodity prices are tightly linked. World commodity prices remain high and are expected to remain high through 2006, reflecting strong Chinese demand. As a result, the Canadian dollar should hover around 85 cents US for much of the year. Some expect to see Chinese demand for commodities slacken somewhat later next year—if so, the exchange rate will adjust accordingly.

The Canadian economy is performing well on aggregate, but the manufacturing sector continues to be pressured by productivity and exchange rate challenges. It is expected that GDP growth will be in the 2.5 per cent range for 2005 and 2006. The Bank of Canada is walking a tightrope these days, gently nudging the bank rate to keep inflation within its target range. Unemployment has pushed below levels that some economists would see as "inflation proof." However, thus far, inflation has been held at bay.

The Nova Scotia economy is an enigma. For example, the province continues to see relatively strong labour market performance and relatively weak economic performance. Contributing to this dichotomy is large employment gains in lower-wage, non-tradable services. The manufacturing sector is a bright spot this year. While the sector continues to shed employment, manufacturing shipments show continued strength, up 6 per cent over last year (Jan.-Sept.).

Labour supply has become a hot topic in Nova Scotia. Strong job creation performance around the province has begun to reveal employer challenges in acquiring needed labour. Rural Nova Scotia is challenged in acquiring skilled trades and entry-level labour. Halifax is facing issues in aggregating sufficient pools of skilled IT workers. All considered, difficulty in getting needed labour will constrain growth over time.

Competition for Foreign Direct Investment (FDI)

Global FDI Market

For the province to prosper economically, new money must be brought into the economy. Exporting goods and services helps make that happen, as does attracting export-focused, foreign direct investment (FDI) to the province. By attracting businesses to the province, and the accompanying investment, there are numerous benefits to Nova Scotians, including new capital and technology, increased productivity, greater exports, employment opportunities, and increased tax revenues.

The United Nations Conference on Trade and Development (UNCTAD) recently completed a report that assessed global foreign direct investment trends over the 2005–2008 time frame. The report found a reversal of a three-year downward trend in global FDI, with the recovery led by a rise in FDI to developing countries. The organization expects the recovery to continue though to 2008, provided the global macroeconomic climate remains positive. However, the recovery will be primarily the result of FDI that flows to select developing countries that offer cost competitiveness, in particular China and India, with countries like the US, UK, Germany, China, and France expected to be the primary sources of FDI. FDI growth is expected to be led by services, including computing and ICT.

With continued competition for FDI, UNCTAD expects countries worldwide to become more proactive in their investment-attraction efforts. This means competing effectively for FDI will require a targeted approach. With more than 2,000 US investment-attraction agencies and more than 160 national and 250 sub-national agencies in Canada working aggressively to attract FDI, NSBI will remain focused on attracting those businesses that best fit with the province's assets, including a highly skilled and educated labour pool, cost competitiveness, market access and security, and world-class research and development facilities.

Remaining Competitive

Incentives remain a key part of investment attraction in all North American jurisdictions. These come in many different forms, but may include land, grants, forgivable loans, tax holidays, and new infrastructure like highways and buildings. Recent transactions in the Ontario automotive sector highlight the importance that some jurisdictions place on securing investments and jobs in certain strategic sectors.

Toyota plans to build a new automobile assembly plant at a cost of $800 million that will create about 1,300 new jobs in Ontario. Combined provincial and federal financial support is approximately $125 million, or about $96,000 per new job. General Motors announced its $2.5-billion "Beacon Project," which will expand vehicle design and manufacturing capabilities at three plants in Ontario and create 500 new jobs as a result. To facilitate the project, a total of $435 million in provincial and federal financial assistance was committed, or approximately $870,000 per new job.

NSBI's experience is that incentives are only part of the criteria that a company considers when choosing to locate to a new jurisdiction. Access to a skilled and educated workforce, proximity to market, cost competitiveness, and business climate are other key criteria. However, once a jurisdiction has been short-listed in the selection process, incentives may be used to offset initial operating and capital costs. In NSBI's experience, incentives do not "make a deal," but not having them could certainly negatively impact the potential deal, as companies view incentives as an indication that a jurisdiction is willing to partner with them.

Core Business Areas

NSBI is the first point of contact for growth-orientated businesses—those operating in Nova Scotia and those in other jurisdictions—that are considering locating all or part of their operations to the province.

As the first point of contact, NSBI provides businesses in Nova Scotia with tools to help them grow. These tools deliver sector intelligence and solid business leads in new and existing export markets and offer flexible financial solutions to enhance new technology, expand capital markets, or adopt new processes.

NSBI also attracts growth-orientated companies that are a fit for Nova Scotia's natural and value-added advantages. These advantages include a highly educated workforce, proximity to major markets, a positive business culture, and geopolitical stability.

Business Attraction

Increasing foreign direct investment (FDI) in Nova Scotia by bringing sustainable, export-oriented, and value-added businesses and/or investment from other jurisdictions to the province is the main objective of business attraction. To accomplish this, NSBI takes a targeted and aggressive approach to attract businesses to the province that have a strong "fit" with Nova Scotia's assets, thereby providing for long-term sustainability.

NSBI is the first point of contact for companies considering Nova Scotia as an option for relocation and expansion of their business. In this capacity, NSBI promotes the competitive advantages of doing business from Nova Scotia and works closely with partner organizations to provide a seamless delivery mechanism to prospective clients.

Strategic investment funds (SIF) are the primary incentive tool to facilitate companies' expansions in the province while generating a positive return on investment (ROI) for the province. These have proven to be a fiscally responsible way to support Nova Scotia's existing strong business case, by offsetting a portion of the company's costs through a performance-based investment that is paid to companies only after achieving predetermined milestones.

Business Growth

NSBI helps existing businesses in Nova Scotia to grow and expand and is focused on the small to medium-size businesses that are concentrating on sustainable, competitive growth. Through customized, client-focused solutions, NSBI helps companies achieve new levels of growth and prosperity.

For example, business advisory services in the regions take an aggressive and proactive approach to company visits, with the objective to identify growth opportunities for businesses. Once these are identified, referrals are made to the most appropriate agency that can assist a business with its growth plan. In some cases, the referrals are to NSBI's export development or financial services teams; while in other cases, they are to other economic development partner agencies.

NSBI offers a number of export development programs and services to Nova Scotia companies to help them increase their exports in new or existing export markets. These range from offering Exporting 101 sessions to potential Nova Scotian exporters to help them understand the fundamentals and benefits of exporting to helping Nova Scotia companies obtain meetings with prequalified prospects (buyers, distributors, or potential partners) in export markets around the world. NSBI also manages the successful Service Export Program, which assists service-sector exporters close deals in new markets.

NSBI also offers a wide range of flexible financial services, from term debt to venture capital, and works individually with companies to find the right financial solution to meet their unique needs. The financial solutions help to fill financing gaps in the marketplace and are often done in partnership with other financial institutions. The Nova Scotia Business Fund, an annual provincial allocation plus reinvested capital generated from NSBI's existing portfolio, is the source of capital for these flexible financial solutions.

In all cases, NSBI's business growth activities are intended to provide client-centred solutions that help Nova Scotia companies grow and expand.

Priorities for 2006–2007

NSBI enters the fiscal year 2006–2007 planning period armed with a solid track record of delivering results and executing client-focused services that clients need to grow and succeed in a globally competitive environment. NSBI will continue with its aggressive business-development strategy to deliver on its objectives in the next year.

As part of this mandate, NSBI will develop a more holistic approach to measuring the outputs of its activities. Job creation will continue as an important measurement tool; however, jobs cannot be looked at in a one-dimensional fashion. This is particularly true given the near 30-year low unemployment rate in the province and the associated potential challenges for businesses to attract and retain the skilled labour they require. The development of a more sophisticated over-arching measurement scheme that employs a return on investment (ROI) model will better account for the total incremental return that is generated to the province by virtue of NSBI's activities and the activities of its clients.

Consistent with the above, NSBI intends to broaden its measurement of "exports," as much of what the organization does is export focused. Currently only incremental exports created as a direct result of the export development team are tracked and measured. A broader viewpoint will include incremental export results from the business development, financial services, and export development teams.

In fiscal year 2006–2007, NSBI will complete an evaluation of the organization's impact on businesses and the provincial economy as a result of activity in the organization's first five-year strategic plan. Further to this, NSBI intends to consult with partners and stakeholders as it undertakes to complete its next five-year strategic plan.

Priority areas for each of NSBI's client-facing business units are detailed below.

Business Attraction

Strategic Sectors

For the last number of years, NSBI's Business Attraction team has successfully focused on pursuing opportunities in the IT sector in the area of nearshore outsourcing and in product software companies. Recently, NSBI has observed that other, larger jurisdictions are realizing the value of this approach and are aggressively focusing on IT outsourcing. This trend has led to a more targeted and selective matrix approach to the areas in which NSBI operates, identifying geographies with a high proportion of targeted companies and dedicating resources to these areas. In addition, with recent successes including Research in Motion (RIM) and CGI, NSBI will take a more aggressive approach to attracting research and development components of companies, targeting the highest skills possible, to mesh with the province's strong academic community.

NSBI also intends to work with partners and industry players to develop and implement a program that will attract IT expatriates back to the region. With the provincial unemployment rate at near-generational lows, this initiative will assist with ensuring that a skilled labour pool exists to continue to grow the IT sector.

Renewed capital expenditures by the federal government have made defence and aerospace an increasingly important sector to the growth of the provincial economy. NSBI is working with the major defence contractors to leverage these expenditures and increase the level of their investment in the province.

NSBI will continue to target companies that are a synergistic fit with the LNG project at Bear Head. The Bear Head facility has generated a great deal of international interest, and NSBI is actively pursuing opportunities that offer the best fit with the province's inherent assets.

NSBI has partnered with provincial and federal government colleagues and representatives of the life sciences industry to conduct a review of the strategic assets and activity in this sector. An action plan will be finalized in early fiscal year 2006–2007 that will further define Nova Scotia's advantages in this broad sector, allowing NSBI to be more targeted in its approach to investment attraction.

For contact centres, the next year will see NSBI focused in two areas: targeting small to medium-size contact centres that have a willingness to be in rural locations and implementing a retention and growth strategy that will create incremental payroll from the centres that have already committed to the province. This incremental payroll will most likely come from utilizing existing resources to do higher-level work, such as business process outsourcing (BPO).

Over the coming year NSBI will continue to refine and understand provincial assets and will engage partner organizations to help in the research and analysis that is required. Matching assets with opportunities will help to continue to define the niche target sectors that NSBI will proactively pursue. In the past year, most effort was concentrated in the US and Canada. The upcoming year will continue to see effort focused on these countries, but we will investigate Europe and Asia. While NSBI's plan is to continue to take a focused approach to investment attraction, it will also continue to be opportunistic. Investment prospects with a strong ROI, representing a substantive benefit to Nova Scotia, will be actively pursued.

Strategic Investment Funds

Strategic investment funds (SIFs) are an innovative financing tool used to attract businesses and foreign direct investment to the province and to retain existing Nova Scotia-based businesses. SIFs are subject to scrutiny to ensure a positive return on investment (ROI), demonstrated incrementality (e.g., new job creation), and a net economic benefit to the province. By adhering to these principles, NSBI is able to demonstrate strong accountability to its shareholders and at the same time provide flexibility to meet each client's unique business needs.

The payroll rebate is the financing tool available under the SIF. It is a performance-based incentive vehicle, by which a percentage of the new payroll generated by a project is rebated to a company. The money—rebated from taxes paid by the company's new employees in Nova Scotia—is dispersed after predetermined milestones are met (e.g., new jobs created) over a defined period of time (e.g., five years). Additional details on the payroll rebate can be found in Appendix A of this business plan.

In fiscal year 2006–2007, NSBI intends to enhance the use of the SIF. For example, NSBI intends to further use this successful tool to facilitate the growth of existing Nova Scotia companies in strategic, growth-orientated sectors like IT, defence and aerospace, financial services, and life sciences. Currently, projects that create fewer than 50 full-time employees (FTEs) will be considered only when there is high strategic value or strong economic benefit. For fiscal year 2006–2007, NSBI intends to give greater consideration to projects that fit existing eligibility requirements, but that may not meet the 50 FTE job creation criteria.

Business Growth

Today, globalization is no longer an emerging issue. It is here, acting quickly, and with force. It is a day-to-day part of the business dynamic and the economic reality. NSBI believes that Nova Scotia companies can compete and prosper in a global economy. The organization understands, though, that there may be some turns and bumps on the road. NSBI has tools and the know-how to help companies navigate their way to success.

To this end, NSBI has further defined and enhanced its business growth initiative. Simply put, NSBI seeks to support export-led business growth-regardless of business size or location. In fiscal year 2005–2006, NSBI brought additional focus to its business growth initiative by integrating its three domestic client-facing units-the business advisory, export development, and financial services teams.

This blend of community-level company knowledge and business acumen, hands-on export development support, and experienced financial service promotes business growth solutions for Nova Scotia companies. The NSBI business growth response is a complete one: from early-stage client identification and business mentoring to export plan development and growth financing. The whole is greater than the sum of its parts.

Business Advisory Services

NSBI's business advisory team is the eyes and ears for NSBI across Nova Scotia. The six business advisory account executives located around the province are the front line for much of NSBI's interaction with Nova Scotia companies. The team engages in an aggressive and proactive company visitation program, using a questionnaire structured according to business retention and expansion (BRE) principles as the beginning point to understand business needs and opportunities. BRE is the basis for putting NSBI's client-focused philosophy in play. In fiscal year 2004–2005, for example, the business advisory team engaged in 767 business visits, including 369 companies surveyed for the first time. These visits generated 414 business referrals—175 internal to NSBI and another 239 to other economic development partners.

In fiscal year 2005–2006, business advisory services created an important partnership with the Supplier Development Group of the Office of Economic Development. This partnership arose from the simple reality that the two groups shared clients and were often cross-referring business to each other. In addition, strong linkages have been built among the business advisory team, supplier development, and NSBI's export development team as a result of many shared customer interactions.

In fiscal year 2006–2007, the Nova Scotia Association of Regional Development Authorities will be piloting a provincial BRE initiative with the view to rolling it out provincewide. This program will be developed and implemented with hands-on guidance from NSBI staff. This program, built on a foundation of proactive business visitation, is expected to lead to a significant increase in referrals to NSBI business growth programs and services. NSBI will be a partner in this initiative.

NSBI business advisory account executives are proficient at assessing problems and opportunities. NSBI's aim is to create a strategic relationship with clients that extends well beyond the scope of the initial BRE visit. The focus of business advisory services for fiscal year 2006–2007 will continue to be its proactive approach to recognize and refer opportunities and challenges for Nova Scotia companies. The team already makes extensive use of NSBI's customer relationship management (CRM) application and its embedded tracking and reporting tools. More attention will be paid to tracking the outcome of referrals, whether to NSBI or to other partner organizations.

Export Development

Exports have been identified as a key priority in *Opportunities for Sustainable Prosperity*, the province's updated economic development strategy. There is enhanced focus on exports as an underpin for Nova Scotia's long-term prosperity. As well, the economic strategy underscores the potential of this province's large service sector as a driver of export-led growth into the future.

NSBI's export development team delivers programs and services focused on improving the top line, that being revenue, of every client engaged. With the province's Services Export Program (SEP), NSBI export professionals have a suite of tools available that allow them to work with all Nova Scotia exporters, regardless of sector. SEP, financed by the Office of Economic Development and delivered by NSBI, is the latest example of sound, strategic programming aimed at supporting and facilitating qualified in-market sales opportunities for Nova Scotia companies.

For fiscal year 2005–2006, the export development team carried out a heavier calendar of activity. A highlight of the past year was the busiest trade mission schedule since the inception of NSBI. In keeping with its top line focus, the NSBI trade mission model is founded on a solid platform of prequalified sales opportunities for every mission participant. The missions also provide an opportunity for business-to-business networking among mission participants—knowledge transfer is huge.

In anticipation of a demanding project schedule in fiscal year 2005–2006, the export development team added two trade specialists during the past year. at present, the team comprises eight professional staff-the manager, five trade development executives, the provincial trade coordinator, and a trade assistant.

In FY 2005–2006, the export development team delivered the following programs and services:

- “Export Prospector”—designed to help Nova Scotia companies enter new export markets. The program's specific intent is to generate leads and open doors in-market for companies to get them in front of potential customers or distributors.
- Trade Missions—up to six prequalified sales calls arranged in a target market for each participating company. This “strictly business” format can typically accommodate up to 10 companies and is focused on opening new markets or further developing existing markets.
- Export Development 101—basic information for new exporters provided in a seminar format. It details the benefits and offers a practical approach for small companies that are starting to look at exporting their products or services.
- Services Export Program—support for Nova Scotia services companies. Funded by OED and delivered by NSBI, this program supports travel costs for Nova Scotia services companies for final face-to-face closure with a client in another market.

These programs will continue to form the backbone of NSBI's export initiatives for fiscal year 2006–2007.

Additionally, the $10-million pan-Atlantic International Business Development Agreement (IBDA) will be kicking off its first full year of implementation. The province, through OED, has secured the funding for Nova Scotia's participation in the IBDA. NSBI will manage the day-to-day operation of the agreement and oversee the development, approval, and delivery of IBDA programming, which ultimately benefits Nova Scotia exporters. A similar arrangement with OED will support the release and implementation of a new Export Trade Strategy in fiscal year 2006–2007 that is aimed at vigorously promoting trade and focusing limited resources to best advantage. Both initiatives promise to bring additional resources to bear for Nova Scotia exporters. NSBI is well positioned to leverage these resources.

Provincial coordination responsibilities for Team Canada Atlantic Missions will continue in fiscal year 2006–2007. The Team Canada Atlantic format continues to work well, and two major missions are planned for Florida in the coming year.

The NSBI export development team also plays a central role in advancing and coordinating the export development agenda in Nova Scotia. The NSBI-resident provincial trade coordinator is central to all federal and provincial trade matters. NSBI export staff provide direct support for many interdepartmental trade initiatives, including trade mission organization and delivery. NSBI is also co-chair of Trade Team Nova Scotia, the principal coordinating mechanism for trade activities among partner organizations at all levels.

In fiscal year 2006–2007, the export team will continue to push forward in the following areas:

Market Awareness

NSBI's principal objective is to help forge new business opportunities for Nova Scotia exporters in markets of their choice. In doing so, NSBI will ensure that Nova Scotia companies are able to consider their export potential from a balanced menu of “Doing Business in …” information sessions covering a range of traditional, diversification, and emerging-market opportunities.

NSBI will continue to link export clients with available resources to help them research and evaluate markets for their products or services. NSBI will also continue to collaborate on export promotion through the new Provincial Export Trade Strategy and with the member organizations of Trade Team Nova Scotia.

NSBI is committed to one-on-one support as the most effective tool for helping Nova Scotia firms expand into global markets. For the upcoming year, resources will be used to operationalize NSBI's export development plan, market-awareness initiatives and support of the provincial export strategy.

Market Penetration and Development

NSBI's focus and commitment is to get Nova Scotia companies to markets of their choice for business-to-business meetings with targeted, prequalified prospects. The Export Prospector and Trade Mission programs will continue to be core tools for the NSBI export development team. The Services Export Program will also accommodate a growing demand for this service-oriented program.

The ultimate goal of NSBI's trade programming is to secure market development and diversification opportunities for any Nova Scotia company that is capable of selling and delivering its products or services in a market outside of the province. Diversification not only leads to more top-line results—and increased exports—but can also strengthen the competitive position of a business and make it less prone to cyclical fluctuations in other markets.

All of these initiatives are directed at effecting measurable short- and long-term outcomes for our clients: new market entry, greater market penetration, distribution arrangements, partnering agreements, and incremental sales.

Financial Services

NSBI offers a wide-range of flexible financial services, from term debt to venture capital, and works individually with companies to find the right financial solution to meet their unique needs. NSBI supports growth-oriented companies operating in a wide variety of industry sectors—from manufacturing to knowledge-based—that demonstrate a solid and viable business case. The financial solutions help to fill financing gaps in the marketplace and are often done in partnership with other financial institutions. The Nova Scotia Business Fund, an annual provincial allocation plus re-invested capital generated from NSBI's existing portfolio, is the source of capital for these flexible financial solutions.

The Nova Scotia Business Fund provides the financial resources for NSBI's lending and investment activities. Currently, the portfolio has approximately $180 million outstanding to 140 companies in a variety of industry sectors throughout the province.

For fiscal year 2006–2007, net new capital available for NSBI to continue to meet the financing needs of Nova Scotia businesses is estimated to be $20 million, with repayments of current outstanding investments estimated to be in the $7.5-million range.

Several key initiatives will be undertaken in fiscal year 2006–2007, including the following:

- The development of a broader ROI model for NSBI will impact the due diligence on individual financial transactions; such a model will consider the total incremental return to the province from a given transaction. It is expected that this model will impact NSBI's appetite for risk tolerance, and therefore pricing.
- The delegation of authority to NSBI's senior management to adjudicate transactions up to certain limits is paramount to the organization's ability to service the independent business market. Having this ability will permit NSBI to respond more quickly to clients' needs. NSBI will continue to pursue this delegation in fiscal year 2006–2007.
- Trade mission participants are often faced with the issue of attempting to arrange financing once they have successfully signed a contract to sell their product while on the trade mission. With the delegation of authority in place, NSBI intends to

develop a financing package that would provide preapproved contract financing support to trade mission participants in advance of departure. This could come in the form of a preapproved operating line of credit or a guarantee. In addition, by having an appropriate approval process that responds to client needs in an effective and timely manner, partnerships with CBDCs and credit unions will be made possible. With this in place, export clients can negotiate contracts while on a trade mission, with the comfort that their financing needs have been prearranged.

- Clients may need management expertise in addition to money. Early intervention with high-potential clients is desirable. By engaging professional advisors to work with prospects early in their development, NSBI can add value as the growth plan is developed. NSBI piloted this approach in fiscal year 2005–2006 and will look to expand this service offering in fiscal year 2006–2007.
- The Financial Services team will place further emphasis on service-based companies that represent incremental economic benefit to the province. For instance, companies that are candidates for the Service Export Program are likely prospects for NSBI's financial services. This approach is consistent with the province's updated economic development strategy, which places increased emphasis on exports.
- NSBI proposes to revisit its regulations to remove existing artificial barriers that currently preclude NSBI from financing certain incremental activity (i.e., wholesale operations).

Nova Scotia Business Fund

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

- Annual sector investment targets:

- Foundation	18 per cent
- Knowledge-based (IT & life sciences)	20 per cent
- Manufacturing	48 per cent
- Energy	9 per cent
- Other	5 per cent

- $15 million maximum per company
- 25 per cent maximum available for working capital/ equity investments
- Borrowing rates are established based on risk, term, amortization, and optionality (e.g., interest capitalization, extended amortization).

Marketing and Communications

In fiscal year 2005–2006, NSBI continued to adapt and respond to the evolving opportunities that the global marketplace presents. This includes the development of NSBI's redesigned website, which includes a higher level of usability and functionality.

In addition, NSBI updated its brand to further reflect the need to present a modern corporate face to external audiences as well as one that speaks to the aspirations of the Nova Scotia business and stakeholder communities.

With a new corporate visual identity and tagline of "Opportunity. Growth. Prosperity." now in hand, NSBI looks forward to employing it in continued efforts to play a lead role in identifying and executing opportunities for growth and prosperity in Nova Scotia.

Corporate Services

The corporate services team is responsible for, among other things, the management of NSBI's inventory of land holdings across the province, which include industrial parks, industrial malls, and other holdings such as undeveloped land. In NSBI's role as stewards of properties, the organization works with community agencies. In fiscal year 2006–2007, NSBI intends to undertake an evaluation of the existing portfolio.

Partners

As the lead business development agency for the province, NSBI's responsibilities include attracting new business to the province and supporting the growth and expansion of existing Nova Scotia businesses. This can be successfully accomplished only through the use of a strong partner network including companies and organizations, both internal and external to the province.

Strong partnerships assist with the promotion of Nova Scotia's compelling value proposition to targeted audiences, as well as provide additional tools, programs, etc., that best meet the needs of clients. Building upon and expanding NSBI's partnerships was identified as a priority area for fiscal year 2005–2006. This continues to remain a priority for the upcoming year.

Organization

NSBI's employees remain its greatest asset. These are highly motivated, professional, and experienced individuals. NSBI believes that learning must occur throughout an individual's lifetime, and because of this, NSBI continues to encourage its employees to participate in professional development and training that benefit both the employee and the organization.

The company remains committed to creating a results-oriented corporate culture where employees feel challenged and supported on both a professional and a personal level. The employee performance management process is linked to the

Corporate Balanced Scorecard, focusing on the achievement of corporate, team, and individual goals. Regular interim and annual performance evaluations provide employees with feedback on contributions at the individual, unit, and corporate levels.

Budget Context

Nova Scotia Business Inc. Budget Summary

	Estimate 2006–07 ($)	Forecast 2005–06 ($)	Change from Current Budget ($)
Operating Expenses			
Recurring	9,381,000	8,981,000	400,000
Non-recurring	850,000	0	850,000
Total Operating	10,231,000	8,981,000	1,250,000
Loan Valuation Allowance	1,600,000	1,600,000	0
Strategic Investment Funds	20,240,000	19,412,000	828,000
Subtotal	32,071,000	29,993,000	2,078,000
Capital Grant (Industrial Properties)	2,000,000	0	2,000,000
Total	**34,071,000**	**29,993,000**	**4,078,000**

The following are total financial requirements to enable NSBI to continue existing activity and introduce new services that address critical gaps in the market place for existing and potential clients:

1. Operating Budget:	
Recurring	$9,381,000
Non-recurring	$850,000
Total Operating	$10,231,000
2. Loan Valuation Allowance	$1,600,000
3. Strategic Investment Funds	$20,240,000
	$32,071,000
4. Capital Grant (Industrial Properties)	$2,000,000
Total	$34,071,000
5. Capital Allocation (Nova Scotia Business Fund):	
Advances	$20,000,000
Repayments	$7,500,000

Outcomes and Performance Measures

The table below outlines the planned outcomes for fiscal year 2006–2007. As a results-focused organization, NSBI remains committed to measuring results that directly impact the goals and objectives of the organization.

For the first four years of NSBI's existence, job creation has been the primary measurement tool to gauge the organization's overall success. This measurement remains for fiscal year 2006–2007, but a more holistic approach to measuring success will be incorporated and will better reflect the total incremental return that is generated to the province by virtue of NSBI's activities and clients. This shift reflects the existing labour market and the near-generational low unemployment rate in the province, as well as NSBI's continued efforts to focus on higher-value opportunities and jobs. This increased emphasis on higher-end, higher-valued projects is consistent with the province's economic strategy to create greater prosperity throughout the province.

NSBI is driven by the success of its clients, with successful clients positively impacting economic growth within the province. Economic growth leads to increased incremental tax revenues for the province, which can be used as a source of funding for government priorities such as health care and education. Prosperity for the province remains the ultimate driver of NSBI's activities.

Outcomes and Performance Measures

Goal	Indicator	Measure	Base Year 2003–04	Targets 2005–06	Targets 2006–07	Strategies to Achieve Target
Promote the growth of new and existing businesses in Nova Scotia by enabling them to succeed with business opportunities in both local and export markets *Moved to measuring qualified leads in 2004–2005	Nova Scotia companies expand business within Nova Scotia	Number of qualified referrals for export development, investment, or financing	240 (unqualified leads)*	120	120	• Proactive business meetings • Continue to build awareness of NSBI in regional NS
		Number of qualified referrals to external partner agencies	n/a	140	180	
	Volume and diversity of exports	Number of companies introduced to new markets/further advanced in existing markets	80 clients	100 clients	110 clients	• Delivery of tailored export development services including Export Prospector, Trade Missions
Attract leading-edge, sustainable business investment to Nova Scotia	FDI in Nova Scotia	Number of companies that relocate part or all of their operations in Nova Scotia	8 companies	15 companies	12 companies	• Seek new sustainable businesses to relocate or expand in Nova Scotia
	Economic benefit to Nova Scotia	Average gross salary of new jobs created through business attraction and reinvestment	$25,000	$32,500	$34,500	• Develop FDI strategies based on innovation
	Fiscally prudent financing	Average portfolio return on investments utilizing SIFs	40–50%	40–50%	40–50%	• Strategic utilization of SIFs to establish growth industries • Sector-specific tactical plans

Goal	Indicator	Measure	Base Year 2003–04	Targets 2005–06	Targets 2006–07	Strategies to Achieve Target
Provide access to capital for new/existing businesses in Nova Scotia, with the intent of enhancing value-added growth for the province's economy	Incremental value investment projects	Number of financings with new/existing companies utilizing Nova Scotia Business Fund	20 financings	20 financings	15 financings [20 including number of successful financial transactions using external partner agencies]	• New product offerings • Sharpened business development focus • Development of partnerships with other financial agencies
	Quality portfolio management	Impaired loan ratio	New measure for FY 2006–2007	New measure for FY 2006–2007	5% or less	• Portfolio management strategies
	Partner for financing solutions	Annual client review completed	New measure for FY 2006–2007	New measure for FY 2006–2007	100% of clients reviewed	• Portfolio management strategies
	Total return to the province	Leverage ratio of partner: NSBI	Ratio of 1:1	Ratio of 1:1	Ratio of 1:1	• Maintain co-investment philosophy
		Total financial return on investment from NSBI financing	New measure for FY 2006–2007	New measure for FY 2006–2007	TBD	• Focus on total value of a project
Increase the visibility and recognition of Nova Scotia—its business climate, advantages, and capabilities	Awareness of NSBI's role in Nova Scotia	Percentage point increase over base measure of awareness of NSBI	Business 30%	2 percentage point increase over base year	2 percentage point increase over base year	• Business events, e.g., Export Achievement Awards • Communication tools, e.g. website, articles, advertising

Goal	Indicator	Measure	Base Year 2003–04	Targets 2005–06	Targets 2006–07	Strategies to Achieve Target
Develop an action-oriented, client-focused organizational culture that encourages, empowers, and supports high performance	Employee training and development	% of employees participating in training and development programs	50% of employees	80% of employees	80% of employees	• Provide and promote training and educational programs
	Business culture—deliver results within cost management structure	Operate within annual operating budget	$6.815 million	$8.98 million	$10.2 million (recurring and non-recurrring)	• Maximize operating efficiency and cost effectiveness
Overall performance	Jobs within Nova Scotia	Number of jobs retained and created by clients	3,700 maintained and new	3,700 maintained and new*	3,200 maintained and new	• Attract companies to Nova Scotia • Help existing companies within Nova Scotia grow • Provide financial solutions • 5-year cumulative target of 18,000
	Export sales	Incremental export sales of NSBI export development clients	TBD	$25 million	$28 million	• Attract companies to Nova Scotia • Help existing companies within Nova Scotia grow • Provide financial solutions • 5-year cumulative target of 18,000
	Total payroll	Total payroll impact of NSBI clients	TBD	$120 million	$110 million	• Attract companies to Nova Scotia • Help existing companies within Nova Scotia grow • Provide financial solutions • 5-year cumulative target of 18,000
	Total return to the province	Total financial return on investment from NSBI activity	New measure for FY 2006–2007	New measure for FY 2006–2007	TBD	• Attract companies to Nova Scotia • Help existing companies within Nova Scotia grow • Provide financial solutions • 5-year cumulative target of 18,000

*Note: With the existing strong labour market and the near-generational low unemployment rate in the province, NSBI will continue to focus on higher-value opportunities and jobs. This increased emphasis on higher-end, higher-valued projects is consistent with the province's economic strategy to create greater prosperity throughout the province. In addition, NSBI continues to focus on its target to create and maintain 18,000 jobs over its first five-year mandate and is tracking to exceed this target.

NSBI remains fully committed to delivering a return on investment for the province and continues to hold itself to the highest standards of corporate governance and accountability. As stated previously, the fiscal year 2006–2007 corporate measures have been enhanced to reflect the organization's continued commitment to economic growth and prosperity for the province. Increased economic growth creates additional provincial taxes, which can be used as a funding source for government priorities such as health and education.

Appendix A

Strategic Investment Funds Pursuant to NSBI Regulations, Policies, and Guidelines/Procedures

	Payroll Debate
Overview	• The payroll rebate is based on targeted employment creation and new payroll generation. • This financial incentive may be used when it can be shown that an applicant's project generates a net economic benefit to the province in one or more of the province's key economic sectors.
Amount	• Between 5 per cent and 10 per cent of the applicant's gross incremental payroll, depending on the applicant's strategic location or business sector and the net economic benefit generated to the province.
Eligibility	• The applicant's business must be considered eligible according to NSBI's operating regulations. • Nova Scotian and out-of-province firms located in Nova Scotia creating new jobs in Nova Scotia are eligible for the payroll rebate program. • Applications for assistance must be project-based. Projects are expected to create sustainable long-term new employment. Cyclical peaks in employment will not be considered for assistance. • The project should result in the creation of at least 50 new jobs (FTEs) in Nova Scotia. However, under certain circumstances, projects creating fewer than 50 FTEs may be considered when there is high strategic value or strong economic benefit. • Companies that have previously received assistance under the program will not be eligible for additional assistance unless the project is incremental to the peak FTE level attained by the company under the previously provided assistance. • Projects that are considered to be competitively harmful to existing Nova Scotia business will not be considered.
Application Requirements	1. Most recent financial statements of the assisted company 2. Share structure and share ownership in the case of private companies 3. Cash flow forecast

Appendix A

Strategic Investment Funds Pursuant to NSBI Regulations, Policies, and Guidelines/Procedures

	Payroll Debate
Criteria	• The company and the project must have reasonable prospects (business plan) for continued growth and success. The company should be profitable, with a proven track record. In addition, the project should be mainly export oriented and/or be in a strategic economic sector. The company must also demonstrate • strong management (corporate and local) • compliance with Environment Act, Occupational Health and Safety, and Labour Standards Code (if already established in Nova Scotia) • economic benefit to the province (e.g. estimated number of jobs created/maintained, linkages with other sectors, non-competition with Nova Scotia industries, import substitution, etc.); • an acceptable credit history
Performance Conditions	• Assistance is based on specific targets that the assisted company must achieve. The most usual will be the creation of (x) jobs by (date), all of which are still in place at the end of the period, with an average annual salary/wage of $ (amount), defining a job as 2000 hours of work per year. • The applicant must produce an auditor's report certifying that the employment and wage targets have been achieved and containing the following information: - incremental gross wage or payroll bill (including benefits) and the number of incremental employees and hours worked according to the company's records on each anniversary date from the actual commencement of operations - gross wage or payroll bill (including benefits) and the total number of employees of the company on each anniversary date from the actual commencement of operations.
Payment Terms	• Payable 12 months after the project commencement and annually thereafter, on each anniversary from the project commencement. • In certain circumstances payments may be considered more frequently than annually. • Payment term generally should not exceed five years.

Crown Corporation
BUSINESS PLANS
FOR THE FISCAL YEAR 2006–2007

Nova Scotia Crop and Livestock Insurance Commission
Business Plan 2006–2007

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Mission

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

Introduction

We are pleased to present the Crop and Livestock Insurance Commission's business plan for 2006–2007. The plan outlines the commission's continued commitment to offering Nova Scotia's primary agricultural producers insurance against production losses.

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

The commission continues to improve its information management capabilities. Development of a more robust system is a key factor in meeting the province's commitment to improving customer services and program options under the production insurance platform.

Planning Context

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

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

Federal and provincial ministers have indicated their desire to expand and strengthen the role of the program to offer more coverage to commercially grown crops and livestock species. In that context, the commission is developing products for crops and/or production systems that have not traditionally been covered under crop insurance. The commission will also examine new performance measures and implement new administrative practices to ensure that the province maintains its federal-provincial cost-sharing arrangements.

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

A 2005 study of administrative best practices in delivery of production insurance programs revealed areas where the commission can improve it service delivery. On the report's recommendation, the commission will modernize its information management capabilities, take steps to reduce its underwriting and claim verification costs, and increase co-operation with other provincial delivery agents.

Strategic Goals

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

Core Business Areas

The core business of the Crop and Livestock Insurance Commission is the delivery of insurance products for production agriculture. Its business is conducted pursuant to federal and provincial regulations and in accordance with the Business Risk Management chapter of the Canadian Agricultural Policy Framework.

Priorities for 2006–2007

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

1. Program Expansion/Enhancements

- Replacement of its under-utilized forage plan with a more flexible weather-based product that will offer protection against drought and quality loss during critical harvest periods.
- Inclusion of the Dairy Livestock Insurance Plan in the Production Insurance platform, which will allow full cost-sharing by both levels of government. This will allow producers to take advantage of the 60 per cent government cost-sharing on premiums.
- Introduction of a Poultry Insurance Livestock insurance plan to cover infectious laryngotracheitis, a disease that has caused significant hardship to our poultry sector in recent years.
- Expanding coverage for fruit trees to include all trees insured for fruit production through new government cost-sharing opportunities.
- Introduction of a Wildlife and Waterfowl Compensation Program, which will allow compensation for agriculture products destroyed by uncontrollable wildlife and waterfowl.
- Introduction of risk-splitting benefits made possible by recent improvements to federal cost-sharing guidelines.

2. Improving Customer Service

- Replacing existing database platform with a more robust system, which will allow faster access to reports and underlying data. Certain reports and procedures required for other BRM programs will be automated, thus reducing customer wait times.

Budget Context

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

Operational priorities outlined above have been costed and included in the budget estimate. Phase One of replacement of the information management system has been included in these estimates. Final completion is expected to be done by 2007.

Estimate of Income and Fund Balances

	Forecast 2005–06 ($,000)	Estimate 2006–07 ($,000)
Revenues		
Insurance Premiums paid by Clients	328	375
Insurance Premiums Contributed by Government (Federal)	296	398
Insurance Premiums Contributed by Government (Provincial)	297	265
Interest Income	165	175
Total Revenues	1,086	1,213
Expenses		
Indemnity Claims	1,100	1,200
Reinsurance Premiums		
Bad Debt Expense	3	7
Total Expenses	1,103	1,207
Net Income From Insurance Activities	(17)	6
Crop and Livestock Insurance Fund Balance		
Beginning of Year	6,755	6,738
End of Year	6,738	6,744
Administrative Expenses		
Government Contributions (Canada)	564	655
Government Contributions (Nova Scotia)	348	442
Total Administrative Expenses	912	1,097
Net Government Expenditure		
Canada (Premium + Administration)	860	1,053
Nova Scotia (Premium + Administration)	645	707
Total Program Expenditure	**1,505**	**1,760**

Outcomes and Performance Measures

Outcome	Measure	Data Base Year (2005–2006)	Target 2006–2007	Target 2007–2008	Strategies to Achieve Target
Increased income stability of farm businesses	Number of farms using production insurance	600	690	750	• Improve program effectiveness and flexibility through introduction of non-production-based plans. This is in response to client requests for more options in insurance coverage.
	$ value of coverage	$50 million	$55 million	$70 million	• Introduce poultry insurance, weather-based forage insurance, expanded tree coverage, and higher unit prices and coverage options.
	Aggregate coverage level for crop program	82%	83%	84%	• Introduce more flexible risk-splitting benefits for all crop plans and higher unit prices in response to market conditions.
	Number of insurance products available	14	15	17	• Introduce a weather-based forage product, poultry insurance, wildlife compensation product.

Crown Corporation
BUSINESS PLANS
FOR THE FISCAL YEAR 2006–2007

Nova Scotia Farm Loan Board
Business Plan 2006–2007

Contents

Mission

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

Introduction

Our Vision

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

Our Mandate

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

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

Our Board of Directors

Five board members, with successful careers in agriculture and business, govern policies, receive reports on operations and clients, and provide strategic direction for the board. Board members are appointed for terms of up to five years by the Governor-in-Council and are accountable to the Minister of the Department of Agriculture. Day-to-day operations are delegated to staff who are responsible to ensure that conduct, management, and operations meet board and provincial requirements.

Current Board Members

Chair: Leo Cox. Leo has been a member (and chair) of the board since March 2000. His current term began May 2005 and expires April 2008. Leo is from Mabou and has a long background in agriculture, having served as with the Department of Agriculture in livestock and extension services for 30 years. He owned a cow-calf farm and is still actively involved in the operation of Lake Mabou farms. Leo has served on numerous boards, and is the current chairman of the Inverness Consolidated Memorial Hospital Charitable Foundation.

Vice-Chair: Carol Versteeg. Carol has been a member of the board since October 1994. Her current term began February 2005 and expires February 2008. Carol is a graduate of the Nova Scotia Agricultural College and MacDonald College. Carol lives in

Hardwoodlands and from 1977 to 1987 was a partner in a dairy farm. She is the Executive Director of the Soil and Crop Improvement Association of Nova Scotia and is involved in 4-H and the Women's Institute of Nova Scotia, as well as other organizations.

Member: Hank Bosveld. Hank has been a member of the board since September 2000. His current term began September 2005 and expires September 2008. Hank lives in Lakeville, Kings County, where he operated a greenhouse and orchard until transferring ownership to his son. He remains actively involved in the operation. Hank is also actively involved in the Kings County and Nova Scotia Federation of Agriculture.

Member: Stephen Healy. Steve has been a member of the board since November 2003, with his current term expiring November 2006. He lives with his wife and three children in Kentville, where he operates a successful financial planning firm. Steve is a graduate of Nova Scotia Agricultural College and the University of Guelph. He is a past board member of the Annapolis Valley Victorian Order of Nurses and Annapolis Pony Club and is currently a member of Rotary. Community projects such as the Berwick Apple Dome and local hockey programs continue to be of importance to Steve and his family.

Member: Victor Moses. Victor has been a member of the board since March 2000. His current term began February 2005 and expires February 2008. A graduate of the Nova Scotia Agricultural College and MacDonald College, Victor served for more than eight years as Agricultural Representative with Department of Agriculture followed by 40 years in management with food processing and vegetable fruit production in the Annapolis Valley. He is presently CEO of large fruit and vegetable operation. Victor is heavily involved in volunteer work and lives in New Minas, Kings County.

Our History

Active since 1932, the Nova Scotia Farm Loan Board is an agricultural development agency acting to build greater prosperity by supporting agricultural and rural business development by providing long-term loans at fixed interest rates and through financial counselling services. A Corporation of the Crown, the board collaborates with the Nova Scotia Department of Agriculture and also operates as the Timber Loan Board.

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

Operations and interest rates are managed so as to cover all direct costs of operation and provide a modest net income (averaging $1.1 million before government contributions over a five-year period) that offsets indirect costs of services provided by government to the board and provides resources for maintenance of systems and operations. At last year-end (March 31, 2005), the board's loan portfolio totalled $175 million. Including lease property accounts, total lending to agriculture represents approximately 28.0 per cent of the debt capital of Nova Scotia farmers. Timber loans provided to forest mills to ensure a sustainable wood supply totalled $847,000 for the forest industry.

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

Planning Context

External Context

Overview

The agricultural industry is affected by local weather and other conditions affecting production and by conditions in competing regions that may affect general price levels for commodities produced, as well as by market conditions, including the effects of branding, consolidation and national purchasing, and market access. For the most part, general climatic conditions were favourable in Nova Scotia during the past year. Weather conditions and any change in expected patterns present an obvious concern to agriculture.

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

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

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

Review of Sectors the Board Holds a Significant Value in Loans

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

Beef markets have begun to show signs of recovery with the opening of international borders to Canadian beef. Many producers continue to struggle with the effects of the Bovine Spongiform Encephalopathy (BSE) issue on their farms, and it is expected that some producers will need additional time to recover.

Hog production continues to provide relatively low average returns, and production continues to decline in this region. In the absence of reasonable net returns to the producers, this sector will be challenged to maintain viability and will see limited opportunity for growth. The industry will need to continue to explore market opportunities that provide sufficient returns.

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

The blueberry sector is seen as having good profit potential, but does require significant pre-production development costs. Market prices are subject to world markets and expanding competitive production capacity.

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

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

The mink industry has enjoyed an increase in demand and prices in 2005–2006. The sector is expected to grow over the next few years.

In addition to the commodities reviewed above, the board provides assistance to many other commodities. The board will continue to evaluate new opportunities in primary agriculture, on-farm value-added processing or marketing, and other development opportunities that fit into its mandate.

Interest Rates

Interest rates remain relatively low but are trending upward. The Bank of Canada overnight rate has increased four times during the year, from 2.50 per cent at the end of the last fiscal year to 3.50 per cent effective January 2006; and projections are for modest increases over the next year or two. The interest rate situation presents an opportunity for those requiring long-term financing, and will tend to support acceleration of capital investment and the trend towards greater reliance on technology. The gap between interest rates for short-term and variable-rate loans as compared to term rates such as those provided by the board has narrowed. It is expected that this will result in greater demand for long-term loans.

Requirements for board financing are influenced by levels of investment in agriculture and timber businesses, rates of capitalization, general economic conditions, and the availability of funding from commercial lenders. The board offers fixed-interest loans with rates fixed for the full amortization period of the loan. Variable rates or term lengths of less than the amortization period are not offered, because it is felt that those alternatives increase the risk that clients will be unable to meet future loan payments if rates increase.

Projections are for board to advance $30 million in the current fiscal year, for a net increase in the loan portfolio of $10.5 million. It has been expected that demand for the board's type of long-term funding has been deferred as a result of the interest rate situation and that this demand will build quickly as short-term rates rise. Requirement for board funding is expected to be approximately $30 million in 2006–2007.

Requirement for loan capital by the forestry sector continues to be of interest to the board, both in response to need of the industry itself, but also because of the relationship between forestry and

Interest Rates Offered by the Board during the Year

Term	April 1, 2005– June 30, 2005	July 1, 2005– Sept. 30, 2005	Oct. 1, 2005– Dec. 31, 2005	Jan. 1, 2006– Mar. 31, 2006
1 to 5 years	5.10 %	4.75 %	5.10 %	5.70 %
6 to 14 years	5.85 %	5.35 %	5.60 %	6.00 %
15 to 19 years	6.40 %	5.75 %	6.05 %	6.20 %
20 to 24 years	6.80 %	6.30 %	6.35 %	6.45 %

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

The board will seek to operate on a cost-effective basis and present a positive net income on lending operations while meeting client credit needs, providing counselling services, supporting to new entrants, and collaborating with departments and industry. The board intends to remain flexible in its approach and will be open to any type of development, loan products, or ventures that will assist agricultural development in this province.

Ongoing Planning Focus

The board understands its focus to be the long-term health and development of agriculture in Nova Scotia. To support that through our lending program requires that services specialize in knowledge of agriculture, long-term client relationships, a client focus in developing and providing services, flexibility in lending services and repayment, counselling services, and long-term interest rates. During the 2006–2007 year, the board will work to assess and develop the client focus and counselling aspects of its service.

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

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

Additional options to reduce risk for beginning farmers will be investigated as identified during this process.

A new lending system was implemented in March 2005 and will add some flexibility in loan repayment options. Work continues to develop and improve system capabilities.

Strategic Goals

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

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

To create conditions that help the rural economy grow, support sustainable and environmentally responsible development of agricultural industries, and support development of a competitive business climate to support economic growth and increase jobs in rural communities

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

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

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

To generate a positive net income as reported in published audited financial statements.

To administer programs within guidelines and budgets, and measure and report on key success factors.

Core Business Areas

1. Lending

Providing long-term credit for development of agricultural and timber businesses is the primary mandate of the Farm Loan Board. This includes loan service development, client service and administration, efficient and responsible financial management, and also includes the distinct but closely integrated area of financial counselling.

The financial counselling function is provided by loan officers in conjunction with meetings with clients and potential clients and includes assessment of projects under consideration. Loan officers assist in sourcing the best available credit, as well as promoting and participating in industry seminars and workshops.

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

2. Programs Administration

Programs administration involves the development and implementation of departmental loan-based assistance programs in areas related to the board's financial operations and expertise such as the New Entrants to Agriculture Program and Ruminant Support Interest Grant.

Priorities for 2006–2007

1. Lending

Provide $30 million of new loan capital to the agricultural and timber industries in the 2006–2007 fiscal year.

The focus is on development and long-term stability. Projections for 2005–2006 indicate that by year-end, loans advanced will total $30 million and principal repayments $19 to 20 million in 2005–2006. It is expected that demand will remain strong as short-term interest rates rise.

While mortgage rates of similar terms are comparable, commercial lenders continue to offer short-term and variable-rate loans at rates significantly below board loan rates. It is believed that the financing requirements met temporarily by short-term loans have simply deferred demand rather than eliminated the need for long-term financing. High requirements are expected as short-term rates move closer to long-term rates in the future.

Statistics Canada reports of total farm debt by Nova Scotia farms indicate that grew by more than 48 per cent between 1999 and 2004. Given that historical rate of growth in agricultural capital requirements, $30 million of new loans will result in the board providing approximately 28 per cent of total agricultural lending in Nova Scotia.

Financial Counselling

The board will maintain its strengths in our understanding of agriculture, relationships with clients and client focus, flexibility in dealing with individual circumstances, counselling services, and long-term interest rates. Priority for further development in 2006–2007 will be on our client focus and counselling services.

Interest Rate Structure

In order to better meet the needs of our clients, the fixed-interest rate structure will be modified slightly to provide for rates at five-year intervals of loan terms. Other rate options will be considered during the year.

Governance

The board will further develop its governance plans, documentation, and reporting during 2006–2007.

Timber Loans

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

Reporting

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

Account Maintenance

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

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

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

Contact with and counselling services for clients with repayment difficulties will be a priority in 2006–2007.

2. Program Administration

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

This program, now in its sixth year, provides assistance with loan interest. It is intended to assist up to 50 new entrants to agriculture, including approximately 25 intergenerational transfers in order to provide long-term stability and renewal of farm ownership. Projections are that 30–40 applications will be approved for the 2005–2006 year.

Further development of this program in collaboration with the Department of Agriculture, as well as development of other lending initiatives to assist new entrants and farm succession, will be priorities for the board during 2006–2007.

Flexible Loan Programs

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

Human Resource Strategy

The board's staff complement decreased by one staff member to 18.3 full-time equivalents (FTEs) during the 2005–2006 fiscal year, and estimates for 2006–2007 provide for an additional reduction of one staff member to 17.3 FTEs as the result of a transfer within government. An updated human resource plan providing an analysis of staffing requirements will be reviewed with the Department of Agriculture during 2006–2007.

Implementation of the new SAP loans module for use as a basis for loan accounting and administration consumed considerable staff resources and effort during the past fiscal year to the detriment of other board operations. Although a phase II has been initiated by the department to complete some necessary elements, a focus of the coming year will be to return to application of staff resources primarily to board functions and client service.

Implementation of the SAP module has redefined many positions within the board and has increased the technical requirements of some positions. This will result in a complete review of staff requirements and classifications during the 2006–2007 year.

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

Training and professional development are considered a priority of the board; $6,900 is forecast for 2005–2006 and $7,500 has been budgeted for 2006–2007. Training funds provide staff with technical training and opportunities to attend appropriate technical and professional workshops and conferences.

Budget Context

Core Business 1. Lending

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

The funding arrangement has allowed the board to move from net losses prior to the arrangement to a net income position. The board reported a net income of $865,000 in the fiscal year 2004–2005. Forecasts indicate positive returns to the province for the current 2005–2006 fiscal year.

Significant portions of the board's expenses, most notably insurance costs under the board's life insurance program and bad debt expense, are somewhat unpredictable and beyond short-term control. Following two consecutive years of losses due to death claims (the first known to have ever occurred), projections to date are for a recovery of costs in 2005–2006. Actuaries have advised that the results of this program will fluctuate from year to year.

The board plans to have an actuarial evaluation completed during the 2006–2007 year.

Fee revenue of $490,000 is projected in the budget estimate presented on the following page. Although previous revenue for this line item has been higher than the projected amount, it is expected that revenue for prepayment fees will fall as interest rates rise. The $490,000 revenue projection is possible but is towards the high end of the range of expectations.

In addition, provincial estimates for 2006–2007 indicate an additional reduction of one staff member to 17.3 FTEs as the result of a transfer within government. The board's structure and number of positions are identified in the human resource strategy section. The required allocation of staff in order to meet the board's mandate for the coming year will be reviewed with the Department of Agriculture.

Operational Income Statement

Actual 2003–04 ($ 000)	Actual 2004–05 ($ 000)	Forecast 2005–06 ($ 000)	Description	Estimate 2006–07 ($ 000)
$11,874	$11,140	$11,107	Interest	$10,800
(232)		121	Insurance Operations	150
572	596	609	Fee Revenue/Recoveries	490
$12,214	$11,736	$11,837	Total Revenue	$11,440
($9,914)	($9,351)	($9,240)	Interest	($9,400)
(1,161)	(1,202)	(1,421)	Operating Expenses	(1,146)
0	0	(278)	Amortization of Tangible capital Asset	(317)
0	(168)	0	Loss of Life Insurance Operations	–
1,055	(1,352)	(530)	Bad Debt Expense	(310)
($10,020)	($12,073)	($11,469)	Total Expenses	($11,173)
$2,194	($337)	$368	Income before Govt. Contribution	$267
1,161	1,202	1,421	Government Contribution	1,146
$3,355	$865	$1,789	Net Income	$1,413

Note: See Year-end Financial Statements for complete financial information and notes.

Interest expense is established under terms of a Memorandum of Understanding arranged with the Department of Finance.

See budget context comments on the preceding page.

Actual 2003–04 ($ 000)	Actual 2004–05 ($ 000)	Forecast 2005–06 ($ 000)	Description	Estimate 2006–07 ($ 000)
Capital Funds				
171,307	174,674	174,634	Opening principal	183,955
25,927	20,781	30,000	Add loan advances	30,000
(22,238)	(20,821)	(19,500)	Less repayments	(18,000)
(322)	0	(1,179)	Other	—
—	(356)	(193)	Less Principal Written Off	(500)
174,674	174,634	183,955	Closing principal	195,455
Allowance for Doubtful Accounts				
7,893	6,543	7,776	Opening allowance	7,127
(322)	0	(1,179)	Less accounts written off	(500)
(1,028)	1,233	530	Additions (Principal portion of Bad Debt Expense)	310
6,543	7,776	7,127	Closing Allowance	6,937
168,131	166,858	176,828	Net Portfolio at Year's End	188,518

Core Business 2: Program Administration

Actual 2003–04 ($ 000)	Actual 2004–05 ($ 000)	Forecast 2005–06 ($ 000)	Description	Estimate 2006–07 ($ 000)
$398	$565	$456	New Entrants to Agriculture Program Expenditures	$600
$490	$578	$565	New Entrants to Agriculture Program Approvals (grants cover interest in the two years following approval)	$600
Total Staff				
19.3	19.3	18.3	Staff—(FTEs)	17.3

Financial Management

Effective financial management is a priority for the board.

The board will work with the Department of Finance for further development of financing arrangements established by memorandum of understanding in 1997 and for clarification of the terms.

Implementation of the SAP loans module has resulted in significant changes to business processes, controls, and capabilities. During the coming year, staff will review these changes, seek to find ways to improve the speed and availability of accurate information, and ensure that staff are fully trained to make most productive use of system capabilities. Development of essential reports is anticipated by April 2006. Further development is ongoing; and review, testing, and training will be required as change occurs. Internal controls will be reviewed to ensure that an appropriate balance has been found in efficiency and effectiveness and that documentation is up to date.

The board will commence a review of business continuity planning including an assessment of risk to ensure that information and ongoing service are appropriately safeguarded.

Outcomes and Performance Measures

Core Business Area 1 *Lending*

Outcome	Measure	Data	Target 2005–06	Target 2006–07	Strategies to Achieve Target
Efficient program delivery	Net income (before govt contrib.) as a % of the avg. active loan balance	1998–99: 0.1% 1999–00: 0.9% 2000–01: 1.1% 2001–02: 0.7% 2002–03: 0.5% 2003–04: 0.6%[1] 2004–05: -0.2% Forecast 2005–06: 0.3%	0.5% or above	0.4% or above	• Maintain interest rate margins in accordance with regulations while matching draws used to fund loans as closely as possible to loans issued in term and amount • Minimize operating expenses by efficient operating structure, practices, training, and electronic systems • Income has been affected by uncontrollable changes in life insurance recoveries and adjustments to the provision for impairment resulting in unusual changes in this measure
Stable, long-term credit available	FLB Loans as a percentage of total NS farm debt (Based on calendar year data)	2000: 37.5% 2001: 34.8%[2] 2002: 31.8% 2003: 29.0% 2004: 28.3% Projected 2005: 28.4%	Original: 37% 2004 Adj: 30.0%[3]	28.4%[3]	• Reasonable long-term interest rates • Trained professional staff available to identify meet needs for financial counselling and loan assistance • $30 million in new capital support to the industry • Explore flexibility options for loan products • Facilitate transfer of Landbank and ARDA lease program properties to industry ownership • Long-term approach; as short-term interest rates become less attractive Farm Loan Board funding is expected to become more in demand

[Footnote 1. 2003–04 of 0.6% is after adjustment to remove unusual items (recovery on impairment provision and life insurance adjustments). Before adjustment the measure would have been 1.3%.]

[Footnote 2. Revised downward from 37.0% to reflect corrections to data and exclusion of timber loans.]

[Footnote 3. Originally targeted at 37%, targets for this measure are now reduced from 34.5% and 36.5% respectively presented last year in light of continued low short-term interest rates and growth in loans provided by commercial lenders. The consistency of this measure has been challenged recently, and further investigation is required. There is some reason to suspect that the definition of agricultural lending has expanded over time. This measure will be further investigated as to validity for future use.]

Core Business Area 1 *Lending*

Outcome	Measure	Data	Target 2005–06	Target 2006–07	Strategies to Achieve Target
Successful clients (as indicated by the proportion of accounts in difficulty)	Arrears as % of value of all accounts	2000–01: 2.1% 2001–02: 2.5% 2002–03: 2.4% 2003–04: 2.8% 2004–05: 2.8% Projected 2005–06: 3.1%	2.5% or less	2.5% or less	• Implement follow-up visit policies and track and monitor follow-up visits • Monitor arrears • Refer clients to other industry resources • Clear up existing accounts in process for recovery • Complete essential reporting through the SAP loan module implemented 2005
	Defaulted accounts held as real estate as % of total of all accounts	2000–01: 2.2% 2001–02: 3.3% 2002–03: 3.5% 2003–04: 3.7% 2004–05: 3.5% Projected 2005–06: 2.5%	3.1% or less[4]	3.0% or less	
Client satisfaction	Combined courtesy, promptness, knowledge, and commitment on client survey	2000–01: 92% 2001–02: 92% 2002–03: 96% 2003–04: 94% 2004–05: N/A Projected 2005–06: 94%	90% or above	90% or above	• Monitor survey results • Review procedures for efficiency gains • Compare service results with commercial lenders to identify priorities for improvement

[Footnote 4. Increased from 2.5% or less for 2005–2006 business plan in light of high value held as real estate for recovery.]

Core Business Area 2 *Programs Administration - New Entrant's Program*

Outcome	Measure	Data	Target 2004–05	Target 2005–06	Strategies to Achieve Target
Prudent financial management	Total program expenditures as compared to budget	($ 000)	($ 000)	($ 000)	• Monitor programs in comparison to budget monthly
		2000–01: Expended: 706 Budget: 600 + 106 = 706 2001–02: Expended: 856 Budget: 600 + 256 = 856 2002–03: Expended: 611 Budget: 600+11= 611 2003–04: Expend: $398 Budget: $600 2004-05: Expend: $578 Budget: $600 2005–06 Projection: Expend: $456 Budget: $600	600	600	• Identify additional funding sources through development and application of federal/provincial funding agreements

Core Business Area 2 *Programs Administration—New Entrant's Program*

Outcome	Measure	Data	Target 2005–06	Target 2006–07	Strategies to Achieve Target
New entrances facilitated	Number of approved applications	Base 2000–01: 48 2001–02: 55 2002–03: 50 2003–04: 30 2004–05: 39 Projected 2005–06: 35	50	30–50	• Counselling by professional loan officers • Industry awareness and monitoring suitability through consultation with industry organizations and representatives • Identify appropriate modifications to existing programs including budget allocations • Identify additional funding and support mechanisms
Increased interest in farm ownership	Number of new entrants' remaining in farming after five years as a percentage of those who started	100%	80%	80%	• Program provides interest rate assistance for first two years on loans acceptable to a lending agency with expectation of repayment • Requirement for business plan
More farms remain in family hands; succession planning is encouraged and pace of consolidation reduced	No. of transfers to younger family members using this program	2000–01: 29 2001–02: 18 2002–03: 18 2003–04: 18 2004–05: 18 Projected 2005–06: 12	25	25	• Counselling family farm enterprises • Support for industry succession management workshops. Economic conditions have reduced the number of new entrant applications. In the longer term, applications are expected to return to targeted levels. * Note that data reported excludes transfers to non-family members who may also be providing for farm succession.

Crown Corporation
BUSINESS PLANS
FOR THE FISCAL YEAR 2006–2007

Nova Scotia Film Development Corporation
Business Plan 2006–2007

Contents

Mission

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

Introduction

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

A board appointed by the Governor in Council directs the affairs of the corporation. Members of the board are appointed for up to three-year terms and may be appointed for no more than two consecutive terms. The administration of the corporation and its programs and the implementation of the board's decisions are carried out by the chief executive officer assisted by full-time staff including a director of finance, a program administrator, a locations officer, a communications and locations assistant, a finance assistant, and an office administrator. The chief executive officer reports to the board and has chief responsibility for all programs administered by the corporation.

Legislation and By-laws

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

Role

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

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

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

Planning Context

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

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

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

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

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

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

The Locations Department is responsible for fostering strong relationships with the various industry organizations that represent personnel involved in production activity. These include, but are not limited to, ACTRA, IATSE 849, IATSE 667, and the DGC. The primary purpose of these relationships is to solicit input from the private sector on best approaches for marketing and promoting the province, give and receive feedback on industry issues and past production activity, work together in securing productions for the province, and update the respective stakeholders on current production interest and activity.

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

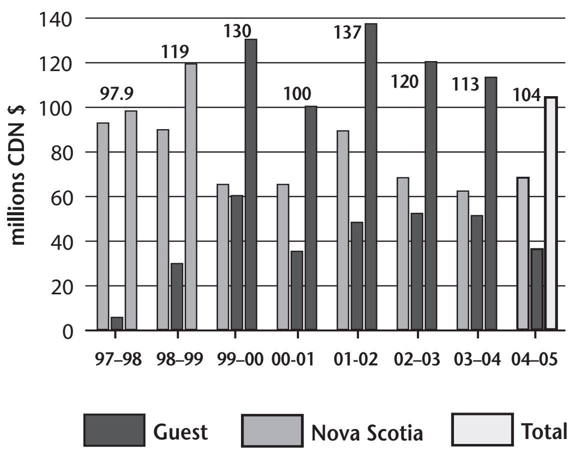
Investing in both local filmmakers and locations marketing contributes to the development of a stable film industry in Nova Scotia.

The film, television, and new media industry is vibrant and ever changing. Nova Scotia's industry is affected by many external environmental factors. Some of the major factors include a decline in the demand for North American programming in international markets; the introduction of alternative delivery platforms, including computers, cell phones, and iPods; limited production funding; the heightened awareness of the negative aspects of moving production outside of the United States due to the recent downturn in the

American industry; the strengthening of the Canadian dollar against the American dollar; and other jurisdictions, both nationally and internationally, that have become more competitive in recruiting guest productions.

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

Film Production Activity Chart 1998 – 2005



	NS	vs.	Guest* (millions CDN $)
97–98:	92.5	vs.	5.4
98–99:	89.5	vs.	29.5
99–00:	70	vs.	60
00–01:	65	vs.	35
01–02:	89	vs.	48
02–03:	68	vs.	52
03–04:	62	vs.	51
04–05:	68	vs.	36

Source: Nova Scotia Film Development Corporation

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

Strategic Goals

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

Core Business Areas

1. Economic and Export Potential

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

Investment Programs

Equity Investments, Development Loans, and New Media

The corporation will invest in a qualifying Nova Scotia film production up to 40 per cent of the production budget spent in the province to a maximum dollar participation of $250,000 per project. This investment triggers other sources of financing and enables producers to make their films while employing Nova Scotians.

The corporation provides development loans up to $15,000 per project to a maximum of 33 per cent of the budget spent in the province. These loans enable producers to develop their ideas to a stage where they can be pitched to investors.

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

The July 2004 industry strategy identified these investment programs as “very important” for attracting other financing required to complete films.

Bridge Award

The corporation partners with CBC Television, Atlantic Region, to provide the CBC/NSFDC Bridge Award for emerging producers. This juried program is designed to assist emerging producers to enter the industry. Successful applicants receive a $10,000 CBC broadcast licence, a $20,000 NSFDC equity investment, and $10,000 in services from the CBC. Up to two awards are offered in February each year.

Feature Film Distribution Assistance Program

The corporation offers a Feature Film Distribution Assistance Program. The program supports the theatrical release costs of a Nova Scotia-produced dramatic, documentary, or animated feature film in which the corporation has an equity investment. The goal of the program is to enhance the marketing campaign for the feature films and increase the Canadian box office returns.

Market and Festival Assistance

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

Professional Development Assistance

The corporation provides assistance for local producers to advance their career development through attendance at skills development seminars, workshops, and industry-related programs.

Broadcaster/Distributor Forum

The corporation offers an annual Broadcaster/Distributor Forum, which provides access to national and international broadcasters and distributors and brings relevant industry expertise to the production community.

Locations and Marketing Programs

Marketing

The corporation will implement the 2006–2007 Marketing Plan primarily targeting established markets such as Los Angeles, New York, and Europe, through a variety of activities including trade missions, participation at festivals and markets, advertising, website, and familiarization tours. In addition, the corporation will continue to research emerging markets such as Australia and New Zealand to identify opportunities.

Script Breakdown/Locations Library

The corporation provides complete script breakdown services for feature films, movies of the week, television series, and pilots utilizing photos from its extensive library of locations from across the province. Image packages can be sent to producers by courier or digitally via e-mail, and project-specific websites can be created.

Scouting

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

Community Liaison and Ongoing Support

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

Film Industry Tax Credit

The Film Industry Tax Credit (FITC) is a labour-based tax credit of 35–40 per cent of eligible Nova Scotia labour capped at 17.5–20 per cent of the total production budget, depending on where the production is shot. A frequent filming bonus of 5 per cent of eligible labour is also available for qualifying productions. The tax credit is a key financing tool used by producers to complete their film and television projects and can be accessed by both local and guest producers. The corporation will undertake the necessary research and reporting to ensure that the FITC remains competitive.

Partnerships

Atlantic Canada Film Partners (ACFP)

ACFP is a partnership of Nova Scotia, Newfoundland and Labrador, New Brunswick, and Prince Edward Island, formed to increase the profile of the Atlantic

Canadian film industry in international markets. This results in increased film and television production activity in the region, thereby generating more jobs in the industry. Through ACFP, producers have access to international marketplaces, strategic professional development, business planning services, and industrial research. ACFP is financially supported by the Atlantic Canada Opportunities Agency.

Strategic Partners

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

Film Advisory Committee (FAC)

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

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

Association of Provincial Funding Agencies (APFA)

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

Industry Taskforce and Subcommittees

The corporation will continue to participate in the Nova Scotia Film Industry Stakeholders Taskforce, which will guide the implementation of the five-year strategy. The taskforce was organized to oversee the creation of a strategy by a third-party consultant, which would guide the development of the industry as well as outline the economic benefits of the film industry to the province. Taskforce subcommittees will work toward enhancing the competitiveness of Nova Scotia's film and television industry by addressing challenges industry members face in the areas of new media, financing, training, and international marketing.

2. Industry Support

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

Professional Development

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

The corporation invests in the continued professional development of Nova Scotia filmmakers through organizations such as the Atlantic Filmmakers Cooperative, the Centre for Art Tapes, the Atlantic Film Festival, the National Screen Institute, and Women in Film and Television.

The corporation offers an annual Business Issues seminar, bringing relevant industry expertise to Nova Scotia producers, and other pitching, market-readiness, and business development events.

The FirstWorks Program is a hands-on film and video production curriculum that is available as a turnkey package for licensing by interested groups or organizations. The goal of the program is to open the doors of the film industry to the youth participants, many of whom obtain employment or advance to further training programs in the film and television industry after completing the program.

In partnership with ACFP, the corporation sponsors annual attendance by local producers at the North American Television Executive Leadership Program or other recognized professional development programs.

Priorities for 2006–2007

Nova Scotia's film, television, and new media industry uses government assistance to attract incremental investment and create employment. This practice occurs throughout Canada, Europe, Australia, and most other areas, including the United States. Canada does not have the population base or viewers required to maintain a self-sufficient industry under the current business model.

There are other valid reasons for supporting the film, television, and new media industry, which include social, cultural, and national sovereignty benefits. The industry is a key element in a more broadly based, creative workforce; it is labour intensive, environmentally friendly, and appealing to our youth; and it provides employment to individuals with various education levels and a range of occupations. Along with being a multi-million dollar industry, it allows Nova Scotians to preserve their culture and display their talent with pride internationally.

Nova Scotia Film Development Corporation's 2006–2007 Business Plan recognizes the goal of maintaining Nova Scotia as Canada's fourth-largest production centre and the first among "regional" production centres.

The most important tool in maintaining this position is a competitive Film Industry Tax Credit (FITC), which is crucial to the growth of the local industry as well as in attracting guest productions to the province. In addition, maintaining the corporation's core budget at $3.1 million is vital in supporting the current local production activity.

The corporation will implement the 2006–2007 Marketing Plan targeting Los Angeles, New York, Europe, and Asia-Pacific through a variety of activities, including trade missions and familiarization tours. Sponsorship of booths at key markets, including the Cannes Film Festival, AFM, and MIPCOM, will continue to play a major role in marketing Nova Scotia's film industry. The corporation will also sponsor ShowCanada 2006, which provides Canadian filmmakers with an opportunity to have their films seen by members of the Motion Picture Theatre Associations of Canada.

The corporation will continue to monitor global trends that could affect the local industry and assess all programs and services to ensure that they are responsive to stakeholder and client requirements as well as to the external environment.

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

Human Resource Strategy

The corporation will implement a formal Human Resource Strategy addressing the goals outlined in Nova Scotia's Corporate Human Resource Plan 2005–2010, which will incorporate many of the ongoing policies and strategies currently in place.

Budget Context

In 2005–2006, the Nova Scotia Film Development Corporation's budget appropriation was $3.1 million. The corporation's funding acts as seed money for production companies. These funds are "first in" funds, which trigger investment from the private industry and federal programs. Real opportunity costs are associated with reduced levels of funding, which include out-of-work Nova Scotians, companies ceasing to operate, and new trainees not being hired.

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

The following budget reflects an appropriation of $3.1 million.

Budget Context

	Estimate 2005–06 ($)	Forecast 2005–06 ($)	Estimate 2006–07 ($)
Contributions			
Nova Scotia Government	$3,108,700	$3,108,700	$3,135,700
Recovery of Equity Investments and Development Loans	150,000	335,330	300,000
Atlantic Canada Film Partners	37,500	41,000	21,000
Other Income	40,000	102,270	40,000
Interest Income	25,000	37,800	25,000
	$3,361,200	$3,625,100	$3,521,700
Disbursements:			
Programming	$2,618,200	$2,895,775	$2,781,300
Atlantic Canada Film Partners	75,000	83,857	42,000
Administrative	447,500	437,500	473,400
Advertising and Marketing	220,500	207,773	225,000
	$3,361,200	$3,624,905	$3,521,700
	$0	$195	$0
Administrative Expenses:			
Salaries and Benefits	$344,000	$342,000	$367,000
Telephone and Fax	6,300	9,500	10,000
Staff Training	7,500	8,300	8,500
Bank Charges	2,500	1,700	2,000
Consultants	10,000	9,000	10,000
Courier	2,500	800	2,000
Dues and Fees	7,000	8,400	8,000
Insurance	2,200	2,500	3,000
Conferences and Marketing	3,500	2,500	3,000
Board	20,000	18,000	20,000
Repairs and Maintenance	2,400	400	2,400
Amortization	7,000	3,400	3,500
Office	16,000	16,000	17,000
Copier and Fax Rental	4,400	4,400	4,400
Postage	5,600	4,000	5,600
Professional Fees	6,600	6,600	7,000
Total Administrative	$447,500	$437,500	$473,400

	Estimate 2005–06 ($)	Forecast 2005–06 ($)	Estimate 2006–07 ($)
Advertising and Marketing:			
Business Travel	$40,000	$39,000	$45,000
Locations Salaries and Benefits	97,000	97,000	101,000
Advertising and Marketing	35,000	27,000	35,000
Amortization	6,500	4,283	6,500
Familiarization Tour and Marketing Materials	15,000	11,500	13,000
Annual Report	5,000	2,700	4,000
Location Scouts	9,000	9,000	9,000
Locations Library	2,000	9,000	7,000
Location Services	11,000	10,000	11,000
Production Guide	0	(1,710)	(6,500)
Total Advertising and Marketing	$220,500	$207,773	$225,000

Outcomes and Performance Measures

Core Business Area 1 *Economic and Export Potential*

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

Core Business Area 2 *Industry Support*

Outcome	Measure	Base Year 2003–2004	Data 2004–2005	Target 2005–2006	Target 2006–2007	Strategies to Achieve Target
To assist and promote the development of the film, television, and new media industry producers and personnel in Nova Scotia	Client feedback	Strategic professional development opportunities addressing industry needs	Strategic professional development opportunities addressing industry needs	Strategic professional development opportunities addressing industry needs		• Conduct ongoing research into gaps/overlap in industry and identify solutions • Offer and support professional development initiatives
	Level of stakeholder participation	Development of strategy	Completion and implementation of strategy	Implementation of strategy		• Implement Industry Strategy

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Nova Scotia Fisheries and Aquaculture Loan Board

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Mission

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

Planning Context

Nova Scotia is the leading fishing province in Canada, a nation that is known as a world fishing power. We are fortunate to have a diversified industry that can survive and prosper on its strengths while various segments suffer cyclical downturns. Our commercial fishery alone has an annual landed value of approximately $760 million and a market value of approximately $1.1 billion, and our aquaculture and recreational fishery sectors generate $120 million more. The industry is the main employer in many regions of the province and drives the economies of our coastal communities.

As our fishery moves into the 21st century, we must maintain and enhance the traditional components of the industry that, over time, have provided us with success. We must build on these segments, seeking out and developing new opportunities in aquaculture, the recreational fishery, coastal zone management, under-utilized species, and the processing sector. Whether it be with areas of provincial jurisdiction or with the marine fisheries, which are administered federally, personnel from the Nova Scotia Fisheries and Aquaculture Loan Board must play an active role to ensure that fisheries policies and management strategies are good for Nova Scotia and the industry in this province. 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 since 1936 by providing long-term stable development funding. Through this board the Nova Scotia government ensures that it has a cost-effective, positive, focused, and beneficial influence on the development of the fishing and aquaculture industries of Nova Scotia. The board operates under the authority of the Fisheries and Coastal Resources Act. This act, by its name, emphasizes the coastal community development focus of the board's operations.

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

Through a co-operative agreement between the Fisheries and Aquaculture Loan Board and the Department of Finance, the interest rate of borrowed funds is increased to ensure that the province is continually in a surplus position. For the fiscal year ending March 31, 2005, the loan board surplus was $2.1 million according to the Office of the Auditor General. With this financial arrangement in place, the loan board can fulfil the expectations and service needs of the fishing and aquaculture industry by providing long-term stable development funding, which will enable the fishers and aquaculturists of Nova Scotia to take advantage of economic opportunities to maximize jobs and growth.

Core Business Areas

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

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

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

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

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

3. ***Maintain a loan-collection program on a monthly basis to keep loan arrears to a minimum***

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

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

   Financial counselling ensures that customers manage their incomes and resources wisely and assists the loan board's repayment record. Project assessments help the industry to be successful and also reduce the potential for delinquent accounts.

Priorities for 2006–2007

In keeping with the goals for the board, Nova Scotia Fisheries and Aquaculture, and government, the following represents the board's priorities for 2006–2007.

Core Business Area 1

Provide long-term fixed-rate loans for the development of the fish-harvesting and aquaculture industries. (Reviewed 133 loan applications during the 2004–2005 fiscal year.)

- Provide $25 million of developmental funding to the fishing and aquaculture industries.
- Continue to assess new loan proposals by applicants.
- Continue to review and amend the loan approval process to ensure quality program delivery.
- Facilitate the replacement and upgrading of older vessels in each fleet.

Core Business Area 2

Maintain a vessel inspection program for all new construction, used vessel purchases, and modification and engine/equipment loans. (Carried out 504 new vessel inspections and 492 inspections of another nature during the 2004–2005 fiscal year.)

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

Core Business Area 3

Maintain a loan collection program on a monthly basis to keep loan arrears to a minimum. (The arrears percentage was increased slightly to 1.33 per cent as of March 31, 2005, from 1.27 per cent on March 31, 2004.)

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

Core Business Area 4

Provide financial counselling and assessments for proposed projects.

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

Budget Context

Estimated Budget Expenditures

	Forecast 2005–06 ($ 000)	Estimate 2006–07 ($ 000)
Total Program Expenses Gross Current	$647	$638
Net Program Expenses Net of Recoveries	$541	$532
Salaries and Benefits	$524	$516
Funded Staff (FTEs)	9.6	9.0

	Budget Year Ending March 31, 2007 ($ million)	Forecast Year Ending March 31, 2006 ($ million)	Actual Year Ending March 31, 2005 ($ million)
Advances	$20.0	$14.0	$24.8
Principal Payments	$14.0	$15.0	$14.3
Interest Payments	$ 5.9	$ 5.9	$ 5.6
Loans Receivable	$96.0	$93.0	$81.2
Doubtful Accounts	$ 0.7	$ 0.6	$1.3
Interest Expense	$ 3.8	$ 3.7	$3.7
Net Income	$ 2.1	$ 2.2	$ 2.1

Outcomes and Performance Measures

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

Outcome	Measures	Data 2000–2001	Targets 2006–2007	Strategies to Achieve Target
Develop new fishery enterprises	Loan advances	Loan advances ($18.5 million) (base)	Increased annual advances	• Work with industry and government • Provide financing for the harvesting of under-utilized species. Loan advances as of March 31, 2005 were $24.8 million.
Improve lending programs for the fishing and aquaculture industries	Increase in loan portfolio	Increase in loan portfolio ($53. million) (base)	Annual increase in loan portfolio	• Support financially viable operations. As of March 31, 2005 the loan portfolio was $81.2 million.

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

Outcome	Measures	Data 2000–2001	Targets 2006–2007	Strategies to Achieve Target
Inspect each new vessel under construction biweekly	Number of new vessels inspected biweekly	Number of new vessels inspected biweekly (511 annually) (base)	All new vessels under construction to be inspected biweekly	• Adequate operating budget • Biweekly inspection report • Biweekly progress payments to boatbuilders
Inspect each vessel that is financed by the board on a yearly basis	Number of vessels inspected	Number of vessels inspected (523 annually) (base)	All vessels to be inspected annually	• Adequate operating budget to inspect each vessel yearly • Annual survey report completed on each vessel • Equity position maintained in each vessel financed by the loan board.
Ensure that vessels related to used boat, modification, and engine/equipment applications are appraised biweekly	Number of vessels inspected	Number of vessels inspected (106 annually) (base)	Biweekly inspections	• Adequate operating budget to inspect on a biweekly basis • Inspection report to be completed.

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

Outcome	Measures	Data 2000–2001	Target 2006–2007	Strategies to Achieve Target
Frequent collection activity	Percentage of accounts in arrears	Percentage of accounts in arrears (4.1%) (base)	3% arrears level	• Adequate operating budget to collect via monthly field visits; as of March 31, 2005 1.33% of accounts were in arrears • Sufficient staff to collect monthly
Decrease in arrears level	Percentage of accounts in arrears	Percentage of accounts in arrears (4.1%) (base)	3% arrears level	• Fisheries loan board loans secure in the value of the boat • Loan balances reducing as per repayment schedule; as of March 31, 2005 1.33% of accounts were in arrears

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

Outcome	Measures	Data 2000–2001	Target 2006–2007	Strategies to Achieve Target
Harvesters successfully expand their operations	Percentage of annual write-offs	Percentage of annual write-offs (.25%) (base)	No increase in write-off amounts as a percentage of loan portfolio	• Patient lending • Regular client visits • Counselling for fishers and aquaculturists • As of March 31, 2005 write-offs stayed within this range.

Appendix A

Key Statistics—2004

Industry Income	**($) millions**
Landed value + aquaculture sales	$707 + 24 = $731
Average Lobster Income	**($) Millions**
Landed value ÷ number of licence holders	$323,137 ÷ 3091 = $104,541
Creation and Maintenance of Direct and Indirect Jobs	Estimate 8,253

Appendix B

Latest Commercial Fishery Landed Values for Nova Scotia—2004

Groundfish	Pelagic	Scallop	Lobster	Shrimp	Crab
$75,339,000	$34,491,000	$101,219,000	$323,137,000	$38,747,000	$121,162,000

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

Appendix C

Production Sales of Market-Sized Products—2004

Species	Production (KGS)	Value ($)	% of Total Value
Atlantic salmon/steelhead	2,049,543	$8,814,915	35.8%
Atlantic salmon hatcheries	231,644	$5,453,099	22.1%
U-Fish-speckled/rainbow trout	4,193	$43,041	0.2%
Total Finfish	2,285,380	$14,311,055	58.1%
Blue mussels	2,082,570	$3,198,259	13.0%
American oysters	313,658	$898,279	3.6%
Sea and bay scallops	9,787	$84,227	0.3%
Total Shellfish	2,406,015	$4,180,765	16.9%
Arctic charr/striped bass/halibut/ clams/marine plants/ocean and bay quohogs			
Total Other	533,720	$6,132,157	25%
Grand Total	**5,225,115**	**$24,623,977**	**100%**

Source: Nova Scotia Fisheries and Aquaculture

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Mission

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

Planning Context

In April 2005, the Government of Nova Scotia released the province's first, and Canada's first, integrated Gaming Strategy. The cornerstones of the five-year strategy are increased problem-gambling resources, enhanced prevention efforts, and greater accountability and transparency surrounding gambling activity in the province. The following guiding principles are also included in the strategy:

- Gaming will be offered in Nova Scotia by government and licensed organizations to ensure that the economic benefits of entertaining, reliable, controlled gaming products remain in the province for the betterment of Nova Scotians and that illegal, socially irresponsible gaming operations do not seek to fill the void.
- Gaming will be offered in a socially responsible way, meaning that there is a focus on education and awareness and a commitment to the responsible design, delivery, promotion, and use of products. The end goal is to reduce the incidence of high-risk and problem gambling in the province.
- Growth in revenues will occur only if it is responsible growth, meaning that it is not generated from an increase in the overall prevalence of problem gamblers. New forms of gaming will be assessed and introduced only if they pass the test. This is consistent with ensuring the viability of gaming through effective and efficient management.
- Government will ensure that the adverse health and social consequences of problem gambling are being addressed by providing and enhancing health promotion, prevention, early intervention, treatment, and research programs.
- Partnerships will be forged with local communities, private and charitable organizations, and other stakeholders to explore opportunities for them to make the most of gaming's economic benefits in a socially responsible manner.
- Well-founded, objective analysis, research, and experience from other jurisdictions will be the foundation for all decisions related to gaming-whether they are regarding operations, regulation, or the prevention and treatment of problem gambling.
- Gaming will be strictly regulated to ensure controlled outcomes and the security and integrity of products and systems; and law enforcement will be empowered to carry out its essential role.

- Gaming will be conducted in an open, transparent, and accountable manner, and Nova Scotians will be kept informed about the province's success in meeting established outcomes and objectives.

NSGC has ensured alignment to the Gaming Strategy in its business efforts in 2005–2006 and has continued this important connection in its planning for 2006–2007. In particular, the strategy's focus on enhanced prevention efforts and greater accountability is strongly aligned with NSGC's operations. NSGC has implemented a number of responsible-gambling initiatives in support of these cornerstones and is recognized around the world as progressive and leading edge in this area. The key objective is to prevent a future generation of problem or high-risk players, and this can be accomplished by offering the right products, in the right environment, with the right information and education. This is NSGC's commitment to its shareholders, to the provincial government, and to all Nova Scotians. While Nova Scotia has the lowest prevalence rate of problem gambling in Canada, NSGC and all government stakeholders involved in the delivery of a responsible-gambling environment are committed to reducing this rate even further over the next number of years through the successful execution of multi-facetted initiatives in support of the Gaming Strategy.

It is within this context that NSGC considers the 2006–2007 fiscal year as an opportunity to build on its measurable progress and successes to create an even stronger responsible-gambling environment for Nova Scotia.

Strategic Goals

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

Goal 1: To pursue a sustainable and responsible gaming industry

NSGC will ensure responsible economic return to the province by

- accruing direct financial benefits to government, the shareholder of NSGC
- utilizing sustainable business models and making supported decisions that incorporate responsible gambling in the design, delivery, promotion, and use of its products
- optimizing indirect economic benefits to communities, businesses, organizations, and individuals across the province

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

NSGC will advance its social responsibility agenda by

- leading responsible-gambling initiatives to provide Nova Scotians with the information required to make responsible decisions

- contributing to communities across the province
- being an excellent employer

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

NSGC will provide strong management and accountability by

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

Core Business Areas

NSGC's core business functions are as follows:

- Develop social and economic strategies that align with the province's Gaming Strategy and support the achievement of identified goals and outcomes.
- Oversee the operations of its operators, the Atlantic Lottery Corporation (ALC) and Casino Nova Scotia (CNS), as well as implement responsible-gambling programs for Nova Scotia.
- Build strong communications with key relationships, including the shareholder, stakeholders and the public.

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

1. Responsible Industry Development:

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

- Planning and Policy Development: NSGC has, and will, continue to explore new opportunities through planning and thorough policy development. The main focus of this element is to create an environment that is conducive to a sustainable and socially responsible gambling industry in Nova Scotia, and aligns with the province's Gaming Strategy.
- Responsible Product Implementation: NSGC is committed to continuing to make informed decisions in assessing changes to the current product and gaming environments and utilizing responsible-gambling and problem-gambling experts to assist in this process.

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

2. Operations Management:

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

- Operator Management: Effective management of the operators' businesses as it relates to Nova Scotia is a critical function for NSGC to ensure that there is alignment of efforts and that priority initiatives are completed as planned.
- Risk Management and Quality Control: This involves proactive risk management and effective quality control of NSGC and its operators' operations and business environments.
- Compliance Management: Compliance management is a key component of a well-run gaming industry. NSGC ensures that all its businesses conform to applicable legislation, regulations, contracts, and policies.

3. Public and Stakeholder Communications:

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

Priorities for 2006–2007

1. Pursue a sustainable and responsible gaming industry

NSGC is committed to ensuring the successful delivery of all initiatives outlined in the Gaming Strategy and to the continual evolution of a socially responsible-gambling environment. The objective is to generate responsible revenues while mitigating the risks associated with problem gambling, wherever possible. All changes in product offerings or gaming environments will be implemented based upon economic and social assessments and will be supported by all available research and comprehensive expert reviews.

In striving to generate responsible economic return, NSGC will continue to explore new ways of doing business and, in particular, will focus its attention on the following priorities in 2006–2007:

- **Casino:** The casino will focus its marketing efforts on appealing to the social occasional gamer by offering a new and exciting entertainment product that includes entertainment acts as well as new food and beverage offerings. The opening of a Responsible Gambling Resource Centre at the Sydney Casino will also occur in 2006–2007, as outlined in the Gaming Strategy. And finally, research and policy development will occur surrounding the concept of a responsible-gambling model for casinos.
- **Ticket Lottery:** The ticket lottery business is considered to be one of NSGC's most mature and socially responsible business lines. The highlights for 2006–2007 include initiatives to ensure that products remain relevant and accessible to consumers, supporting the long-term sustainability of this business line. For example, NSGC will develop new ticket lottery products based upon consumer research.
- **Video Lottery:** Significant resources will continue to be apportioned to the video lottery program in 2006–2007 in an effort to minimize the negative social impacts. Over the course of the year, NSGC will monitor the effects of the VLT-related Gaming Strategy initiatives that consisted of

  - the reduction of operating hours of VLTs, which eliminated the 12 midnight-to-close timeframe, during which a disproportionate number of high-risk and problem gamblers were playing VLTs (July 2005)

  - the removal of 800 video lottery terminals from profit retail locations (November 2005)

  - the product changes made to machines to slow down the speed at which a player plays, thereby mitigating the risks associated with faster play; specifically, the “stop” button/feature was removed, and the speed of VLT games was reduced by 30 per cent (January-March 2006)

  A further reduction in the number of VLTs will occur with the removal of additional machines through attrition over the next two to three years to bring the total removed to be 1,000 VLTs. This represents a 30 per cent reduction in the number of VLTs that were under NSGC's management.

  The 2006–2007 net income budget for the video lottery business line is $95.8 million, a decrease of $21.7 million over the 2005–2006 forecast, which is attributable to the full-year impact of the four VLT-related Gaming Strategies initiatives. This reduction in net income from video lottery terminals supports the Gaming Strategy's strategic goal of significantly reducing reliance on video lottery revenue.

- **Linked Bingo:** Linked Bingo will be introduced in 2006–2007. Linked Bingo enhances charity bingo by offering larger, linked jackpots that allow charitable organizations to use bingo to fund their projects and good works.

2. Foster social responsibility

Operating gaming in a highly regulated and socially responsible manner is critical to ensuring that Nova Scotians benefit from gaming venues and to minimizing adverse social consequences. In furthering this mandate, NSGC will continue its commitment to

- provide relevant and timely information to players and the public in order to facilitate informed gambling decisions
- maintain and enhance a responsible-gambling environment that encourages responsible play
- communicate linkages to effective, professional problem-gambling treatment and recovery services
- make business decisions that are supported by the best available research and information associated with responsible gambling and problem gambling

NSGC will deliver on its commitments by continuing to reinforce NSGC's leadership and commitment to responsible gambling as well as by delivering an array of responsible-gambling initiatives, including broad-based and targeted education programs.

For example in 2006–2007, NSGC will evaluate the results of the pilot of a Responsible Gambling Device for VLTs, work that began in 2005–2006. This card-based feature is intended to provide players with detailed information about their gaming activities and allow players to set spending and time limits. This concept has received interest and support from responsible-gambling experts around the world, and the pilot is considered to be a leading-edge responsible-gambling initiative.

Other initiatives in 2006–2007 include pursuing a responsible-gambling model in the casino environment and an awareness campaign.

3. Ensure accountability and communications

Gaming in Nova Scotia produces significant direct benefits for Nova Scotians, including the direct employment of more than 1,000 people and the injection of approximately $53 million in retail commissions to local Nova Scotia businesses. In 2006–2007, NSGC will provide $162.2 million in revenue to fund provincial programs in areas such as health care and education. Given that the direct benefits of gaming are significant, NSGC must ensure that gaming continues to run in an effective and efficient manner.

As NSGC is a public company, its operations must be transparent, with timely and open communications to Nova

Scotians. In addition to building on its extensive public reporting and consultation in the 2005–2006 fiscal year, NSGC will enhance its website so as to serve as an important interactive resource for those looking for information about responsible gambling and the gaming industry in Nova Scotia.

Performance in 2005–2006

1. *Pursue a sustainable and responsible gaming industry*

The province's Gaming Strategy is designed to achieve a socially responsible and economically sustainable gambling industry. The focus in 2005–2006 was on implementing NSGC's Gaming Strategy initiatives, including the four VLT-related initiatives and increased funding to Nova Scotia Health Promotion and Protection in support of Problem Gambling services. Income from VLTs is forecasted to decline by $15 million in 2005–2006 due to implementation of the four VLT-related Gaming Strategy initiatives and are expected to reduce by an additional $21.7 million in 2006–2007. In accordance with the Gaming Strategy, funding by NSGC to problem-gambling treatment and prevention services increased by $3 million.

Ticket lottery is the most mature business line in NSGC's portfolio. It is widely viewed as a socially responsible product by experts around the world. In order to support the sustainability of this product line, significant effort was placed on enhancing its performance, with specific initiatives including the change in prize structure in the ever-popular Scratch'n Win tickets and the launch of a new online daily game.

It was an active year in the casino business line. First, a new casino operator, Great Canadian Gaming Corporation (GCGC), took over day-to-day management of the casino operations. GCGC has expertise in managing local, small-market casinos, and as a result, the Nova Scotia properties are significant to GCGC's overall business. NSGC successfully negotiated a new casino operating contract with GCGC in July 2005. The new contract reflects a significantly better deal for Nova Scotia, with increased focus on social responsibility in the casino environment and more of the economic benefits staying in the province.

The casino also made some significant enhancements, building the foundation for the long-term sustainability of the casino business line by positioning the Halifax casino as Atlantic Canada's premier entertainment destination and the Sydney Casino as a unique gaming experience in the local market. Key elements of the plan to rejuvenate the casinos include the following:

- enhancing the table games offerings (new poker room)
- refocusing marketing efforts (broadened “Stay N Play” program)
- enhancing entertainment offerings (live, local entertainment on casino floor)
- enhancing food and beverage offerings (refurbished buffet)
- implementing new slots technology (new games and ticket-in ticket-out technology)

2. Foster social responsibility

In 2005–2006 NSGC continued its focus on social responsibility and building on its commitment to responsible gambling. Several key initiatives were completed and many others started that will come to fruition in 2006–2007 and beyond. Highlights include the following:

- Nova Scotia's fourth Responsible Gambling Awareness Week was held October 2–8 and extended the reach achieved in prior years. This program saw the expansion from five to seven communities (Halifax Regional Municipality, Wolfville, New Glasgow, Sydney, Yarmouth, Membertou and Millbrook), which enabled 57 per cent of Nova Scotians to have access to important responsible-gambling information. More than 4,200 people either attended awareness sessions or the Responsible Gaming Conference or received information from interactive community education displays, Know The Score programs or *Caught in the Game* high school drama performances. The tremendous efforts of those involved in the 2005 Responsible Gambling Awareness Week resulted in 70 per cent of the public in target communities being aware of specific responsible-gambling initiatives and 84 per cent of Nova Scotians supporting an annual Responsible Gambling Awareness Week.
- Know The Score, an interactive, peer-led program was launched in October 2005. It is designed to give college and university students aged 19–24 the facts about gambling. Know The Score continued to be very well received, with more than 6,200 visitors to the interactive booths at 14 college and university campuses across Nova Scotia. A number of results reflected a successful outcome, including 82 per cent of the survey respondents indicating that their awareness of the risks associated with gambling had increased and 88 per cent indicating that they had gained awareness of where to go should they require help.
- NSGC sponsored the delivery of the *Caught in the Game* play targeted at high school students in order to educate and raise awareness of the risks of gambling. In October 2005, five performances of the drama were conducted under the direction of the Responsible Gambling

Council at four high schools across the province, reaching more than 1,250 students. Later in the year, NSGC sponsored the launch of Nova Scotia's production of *Caught in the Game*. The drama was delivered by a Nova Scotia-based troupe and moderated by Nancy Regan, a well-respected Nova Scotia television personality. Four schools were visited, reaching over 1,250 students and achieving very high results. Respondents comment that they found the play informative and an effective means to convey messages about problem gambling and that they are now more aware of where people can get help for a gambling problem.

- A Responsible Gambling Resource Centre opened at the Halifax casino on October 5, 2005. The centre focuses on information, education, and when appropriate, providing linkages to treatment resources including voluntary self-exclusions and various crisis-counselling situations. The centre has been very well received by casino visitors and staff, reaching over 1,250 visitors in the first three months of operation. More than 1,400 gambling-related brochures have been taken from the centre and casino. The slot tutorial was viewed by almost 600 individuals.
- NSGC signed a Cooperation Agreement with Techlink Entertainment Ltd. to conduct a pilot test of its Responsible Gambling Device (RGD). Techlink's RGD is an individual console that can be attached to an electronic gaming machine—such as a video lottery terminal (VLT)—and incorporates the use of a card to provide players with responsible gambling features such as setting spending limits, reviewing historical spending, and specifying times when the player wants to be limited from playing/gaming. The pilot test began in the spring 2005 and ran for most of the year with the appropriate monitoring and evaluation mechanisms in place to support the determination of the effectiveness of the features and related technology. Enrolment is now more than 1,800, and of that number, 153 monthly players participate in a panel that meets three times during the six-month study and allow their actual play to be tracked. The objective of the research is to determine whether play-management tools will be used by players to prevent new incidences of problem gambling.
- NSGC also launched an advertising campaign called “friends4friends” in 2005–2006. This multi-faceted media campaign alerted young people between 19 and 29 years of age of the risks associated with gambling and how to help a friend with a gambling problem. Ads were placed in university papers, youth-oriented newspapers, and transit shelters, as well as banner ads in high-traffic Internet sites, a 30-second pre-movie ad, and TV ads during youth-oriented programming. The campaign

was developed based on extensive research to help young people recognize the signs of a gambling problem and learn where help is available and how to talk about a potential gambling problem. Based on the Canadian Problem Gambling Index, about 1.3 per cent of adults in Nova Scotia are currently identified as having moderate problems, and 0.8 per cent are identified as having severe problems. Young adults aged 19–24 are the most at risk for developing gambling problems, followed by those aged 25–34.

3. Ensure Accountability and Communications

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

NSGC met with senior representatives of its operators, Atlantic Lottery Corporation and Casino Nova Scotia, on a monthly basis in order to monitor activities and ensure compliance with regulation, responsible-gambling activities, and their respective 2005–2006 business plans.

In 2005–2006, NSGC was very active communicating with the media, public, and others. NSGC also responded to more than 180 media/public inquiries, encompassing various topics and issues.

Budget Context

	Forecast 2005–06 ($,000)	Estimate 2006–07 ($,000)
Revenues		
Atlantic Lottery Corporation		
Ticket lottery	210,700	208,000
Video lottery	182,200	150,000
Linked Bingo	300	400
Halifax Casino Nova Scotia		
Casino	66,100	69,300
Beverage, food and other	8,300	9,400
Sydney Casino Nova Scotia		
Casino	19,300	20,500
Beverage, food and other	2,000	2,400
Other income	300	300
	489,200	460,300
Expenses		
Atlantic Lottery Corporation		
Ticket lottery expenses		
–Prize expense	117,600	116,100
–Retailer commissions	17,100	13,900
–Operating and other	36,100	33,000
Video lottery		
–Retailer commissions	36,400	29,300
–Operating and other	28,300	24,900
Linked Bingo expenses	300	400
Halifax Casino Nova Scotia		
Casino win tax	13,200	13,900
Operator fee	29,000	41,100
Capital replacement reserve	3,000	3,900
Operating expenses	9,800	0
Other	12,500	9,500
Sydney Casino Nova Scotia		
Casino win tax	3,900	4,100
Operator fee	8,700	12,000
Capital replacement reserve	1,300	1,100
Operating expenses	2,600	0
Other	1,000	700
Responsible Gaming contribution and program	4,300	4,900
Special Payments		
Harness Racing Fund	750	1,000
NS Health Promotion and Protection	3,100	3,100
Department of Agriculture	50	50
Department of Tourism, Culture and Heritage	50	50
NSGC management expenses	2,800	3,100
	331,850	316,100
Net Income	157,350	144,200
Payment to Province		
NSGC net income	157,350	144,200
Casino win tax	17,100	18,000
	174,450	162,200

Outcomes and Performance Measures

Outcome	Indicator	Measure	Base Year Measure (2004–05)	Target 2006–07	2006–07 Strategies to Achieve Target
Economic Sustainability	• total payment to province	• actual to budget	• $186.7 million (+/-10% of budget)	• $162.2 million (+/-10% of budget)	• Monitor operators to ensure compliance to business plans
	• VL as % of total net income	• reduction in % of total net income	• 78%	• 66%	• Introduce new ticket lottery products
	• commissions to retailers	• $ amount	• $55.2 million	• $43.2 million	• Reduced access to VLTs • Make improvements to VL and casino environment • Introduce VL central operating system
Social Responsibility	• awareness of responsible-gambling activities	• % of public aware of responsible-gambling activities	• 59%	• 65%	• Expand Responsible Gambling Awareness Week
	• player awareness of responsible-gambling features	• % of VL players aware of responsible-gambling features	• 80%	• 80%	• Introduce community outreach program
	• implementation of responsible-gambling programs	• number of effective/researched responsible-gambling programs introduced	• 2 per year	• 3 per year	• Launch responsible-gambling programs for high-risk populations
Accountability	• response to routine access requests for information	• % response within two business days	• 90%	• 95%	• Ensure sound operations management
	• reports submitted on or prior to legislated deadlines	• % of NSGC and operator reports provided before due date	• 90%	• 95%	• Incorporate targets into employee personal performance plans
	• introduction of socially responsible products	• number of products introduced with social responsibility assessment	• 100%	• 100%	• Make corporate commitment to social-impact analysis • Completion of card-based pilot

Crown Corporation

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

FOR THE FISCAL YEAR 2006–2007

Nova Scotia
Government Fund Limited

Business Plan 2006–2007

Contents

Mission

To fund alternative delivery initiatives for government.

Planning Context

The Nova Scotia Government Fund Limited (NSGF) was incorporated on December 16, 1994, under the Companies Act (Nova Scotia). It was approved as a government-administered venture capital fund pursuant to the regulations issued under the Immigration Act.

The January 4, 1996, offering memorandum contains investment restrictions that make it difficult to find qualifying projects. The offering states, "The Fund will be restricted to making investments directed to the privatization of public services and may include operation of food services in hospitals, laboratory services to health care facilities and other projects that will result in economic benefit to Nova Scotia."

NSGF has continued to actively look for appropriate investments within the limitations of the offering memorandum. The opportunities for investment have been further hampered by the significantly low interest rates available from other sources that have decreased the attractiveness of the NSGF funds for investment.

Nonetheless, the NSGF has been able to identify the two investment projects required to meet the federal program requirements. Funds, when not invested in projects, have been safely placed where they can be accessed as qualified investment opportunities occur.

NSGF will primarily confine its efforts to adhering to the policies of the federal legislation relating to the fund and ensuring that the funds are invested in appropriate projects that meet the objectives of the fund.

Strategic Goals

Federal and provincial investment criteria have limited suitable investment opportunities. In light of this, the goals of the NSGF for the fiscal year 2006–2007 are as follows:

Goal 1

To ensure that the funds of all investors are safely invested.

Goal 2

To direct the Nova Scotia Department of Finance to continue to invest any funds not invested in qualified projects in liquid Canadian securities until such time as the investors' promissory notes come due.

Goal 3

To continue to facilitate funding to investors when their notes become due.

Goal 4

To prepare for repayment of matured notes as the federal requirements are met and to prepare for wind-up of the fund following repayment of notes.

Core Business Area

The core business area of the NSGF is to invest the funds already raised through the offering memorandum in qualified investments as outlined by both Citizenship and Immigration Canada and the offering memorandum.

Priorities for 2006–2007

- To ensure that the funds belonging to the investors are safely and soundly invested.
- To satisfy the requirements of the federal regulations relating to the program.

Budget Context

Expenses incurred by the NSGF are offset against interest earned by investments.

Outcomes and Performance Measures

NSGF is a mature government-administered venture capital fund approved pursuant to the regulations issued under the Immigration Act. Through the Board of Directors of NSGF, the prime emphasis with the fund is to ensure that it is properly invested in safe investments that meet the requirements of the offering memorandum. At this stage in the fund's existence, the prime job is to maintain proper monitoring of the assets and investments.

Crown Corporation
BUSINESS PLANS
FOR THE FISCAL YEAR 2006–2007

Nova Scotia Harness Racing Incorporated
Business Plan 2006–2007

Contents

Mission

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

Performance in 2005–2006

During the 2005–2006 fiscal year, 110 live race dates with an increase of 30 more actual races were achieved with the assistance provided by the Government of Nova Scotia. This assistance was also responsible for the successful Atlantic Sire Stakes races.

Business ran smoothly between horse owners and track management at all three tracks in 2005–2006. This helped drive the total wager up for the year. Prince Edward Island and the Atlantic Lottery Corporation announced intentions to create two racino facilities (Charlottetown and Summerside). In Nova Scotia there is a casino contract, and a limit on the number of VLTs prevents developing a racino format in the province. The industry continues to be hopeful that the funding format for the harness horse industry in Nova Scotia will be changed.

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

2005–2006	**Processed Claims**
Special Stakes Races, Inverness, Truro, Tartan Downs	$ 27,500
Atlantic Sire Stakes	$ 183,000*
Purse Subsidy Reimbursement	$ 621,500
Matinee Tracks & 4-H	1,600*
Maritime Provinces Harness Racing Commission	$ 115,000*
Operational Costs (meeting expenses)	$ 1,400*
Liaison Officer	$ 50,000*
Projected Total For 2005–2006 Fiscal Year	$ 1,000,000

* Projected expenditures

Strategic Goals

- Strive to improve the product, namely live harness racing, to be competitive in the entertainment market.
- Improve relationships between racetrack management and the horsemen to treat each other as partners rather than adversaries.
- Secure adequate long-term funding through government liaison and corporate sponsorships.
- Improve media coverage of both live racing events and the industry generally.
- Encourage continuing quality in the Standardbred horse for the harness racing industry.
- Use the Nova Scotia Harness Racing Industry Association to provide leadership for the industry in Nova Scotia.
- Work towards expanding the product into additional fields beyond live racing events and offer alternative forms of gaming and sports to generate interest and income through improved " entertainment centres."

Core Business Areas

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

Entertainment

The entertainment aspect consists of three components:

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

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

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

All three tracks had agreements in place between track management and horse owners, so there were more live racing events for the province in total. The purses at live racing events are very dependent on government funding support. Funding was maintained at the 2003–2004 level but the funds had to be divided by three tracks rather than two, and officiating costs were projected to be higher. There were fewer funds available for purse pools, but an additional $250,000 was provided from the Nova Scotia government to address the racetrack operating deficits that had developed.

Simulcasting of racing events beyond the local racetracks continues to be a major supporting funding source for the industry, making up 88 per cent of wager income. A new teletheatre site was set up at Smitty's Restaurant in Port Hastings for the Inverness Racetrack, but the restaurant has since closed. A new teletheatre site was set up at the Athletic Club in Glace Bay for Tartan Downs Racetrack. The Canadian Pari-Mutuel Agency reduced its requirements for racetracks to be eligible to establish teletheatres to less than 50 race dates, and they have to be approved by the Maritime Provinces Harness Racing Commission. Smaller racetracks such as Inverness and Tartan Downs can now negotiate sites within their market areas, and that has been taking place.

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

Genetics

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

Budget Context

Revenues	**Actual 2004–05 ($)**	**Forecast 2005–06 ($)**	**Estimate 2006–07 ($)**
NS Funding (Nova Scotia Gaming Corp.)	750,000	1,000,000	1,000,000
Total Revenues	750,000	1,000,000	1,000,000
Expenditures			
Special Stakes	20,000	27,500	30,000
Atlantic Sire Stakes	221,020	183,000	200,000
Purse Subsidy Reimbursement	358,500	621,500	598,500
Maritime Provinces Harness Racing Commission	94,595	115,000	115,000
Operational Costs—Meeting Expenses	1,190	1,400	1,500
4-H and Matinee Tracks	4,786	1,600	5,000
Liaison Officer Position (includes participation on Maritime HR Development Council)	49,883	50,000	50,000
Total Expenses	749,974	1,000,000	1,000,000

With all three tracks providing live racing, there were 110 live race dates. It is no surprise that officiating costs are projected to grow to accommodate the increased number of race dates. Industry would like to see the funds for officiating provided to the Maritime Provinces Harness Racing Commission (MPHRC) from the Council of Maritime Premiers Office rather than the industry fund.

There were some issues with officials at the Tartan Downs Track, and officials had to be brought in from other sites, which added to the costs of officiating. Industry is frustrated that the rising officiating costs continue to erode the funding left for purse pools. With government providing an additional $250,000 to the industry fund, the Tartan Downs and Truro locations enjoyed a good year for race purses. Inverness Raceway continues to struggle to attract horses from away to their race cards.

The Charlottetown Racino complex is now open and certainly sets a much higher standard for grandstand facilities to attract new patrons.

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

The liaison officer position will utilize the full amount budgeted in 2005–2006.

Operating costs—meeting expenses (exclusive of administration costs) to manage the fund will come in below allocation and are projected to be $1,400. The 4-H and matinee track fund came in under budget at $1,600. The officiating costs were up significantly from the previous year and are expected to be $115,000 with a further increase next year.

Outcomes and Performance Measures

Core Business Area 1 *Entertainment*

Outcome	Measure	Base Year	2005	Target 2008 Measure	Strategies to Achieve Target
More live races	Increase in live race events	2002: 100 race dates	110 race dates, but 30 more actual races	Increase live race events	Long-term agreements
More horse owners	Number of owners	2002: 403 owners	500 1358 races	Minimum purse $1000–2000	Improved income for owners
Increased bet	Amount of bet	2001: Gross bet $12.8 million	Total wager $13.2 million	Increase gross bet by 10%	Attract patrons
More entertainment	Attendance	2001: 70,000	93,000	Higher attendance	Market existing and new additions

Core Business Area 2 *Genetics*

Outcome	Measure	Base Year	2005	Target 2008 Measure	Strategies to Achieve Target
More horses	Horses	2001: 480 Standardbreds	510 racing	Adequate minimum: 80 horses per race card	Investment in breeding stock and property race card
Greater interest in horse ownership	Avg. sale year	2001: $4400	$4900	Increase prices of NS-bred horses	Promote the horse race by 10%

Notes

- Live race dates at 110 for 2005 but 30 more races were held, reflecting higher horse numbers.
- Horse owner numbers continue to grow.
- Attendance was up slightly in 2005.
- Total wager was up somewhat from previous year. There were more horses in race cards.
- Fall sale of Standardbreds remains stable.
- The long-range business plan for the industry is valid.
- Horse owners and racetrack management at the province's three racetracks continue in a co-operative working relationship and demonstrate a unified position in the industry association.

Crown Corporation
BUSINESS PLANS
FOR THE FISCAL YEAR 2006–2007

Nova Scotia Housing Development Corporation
Business Plan 2006–2007

Contents

Mission

To partner with Nova Scotians in fostering healthy communities through housing.

Mandate

The Nova Scotia Housing Development Corporation is governed by the Nova Scotia Housing Development Corporation Act. Three federal-provincial agreements form the cornerstone of the corporation's operations. They are the Social Housing Agreement (1997), the Affordable Housing Agreement (2002, 2005), and the Housing Renovation Program Agreement (2003). These agreements enable the corporation to support the province in providing safe, adequate, affordable, and sustainable housing to low and modest income Nova Scotians. The corporation also manages the province's social housing assets, negotiates funding agreements, and provides financing tools for a variety of housing solutions. In addition, the corporation fills a gap in lending needs, as it can borrow long-term funds at fixed interest rates.

The Minister of Community Services is the corporation's Chairperson and the Deputy Minister is the President. The staff of the Department of Community Services carry out the management and administration functions of the corporation, but are not direct employees and receive no remuneration from the corporation. Direct service delivery, including functions like tenant and property management, is carried out by seven housing authorities and their employees.

In carrying out its business, the corporation and its agents perform a number of roles, including those of land owner, landlord, administrator, and developer. For example, the corporation is the largest residential landlord in the province, owning 12,000 senior and family public housing units. These units are administered and managed by the housing authorities. The authorities also administer the Rent Supplement Program of approximately 800 units and the Rural and Native Housing Program of some 1,200 rental and homeowner units. Combined, these programs provide housing to approximately 30,000 Nova Scotians.

Other corporation activities include the administration of the Canada Mortgage and Housing Corporation's (CMHC) mortgage/loan portfolio for Nova Scotia and working with other program units within Community Services and with the Department of Finance to provide direct lending to housing-related projects for long-term interest rate risk reduction.

Planning Context

Many factors affect the performance of the corporation. Some of the more prominent challenges, and the opportunities and initiatives to address them, are discussed below.

Challenges

Declining Federal Support for Social Housing

One of the more pressing challenges for the province and the corporation is the issue of declining federal support for social housing programs. Annual federal funding for programs under the Social Housing Agreement of 1997 does not make provision for inflationary impacts, but rather fixes the contribution at 1995 funding levels. Ongoing operating costs for social housing projects are increasing at a level that far exceeds the rate of inflation, further accentuating this gap between federal funding and the actual cost. Rising cost items include utilities, heat, building materials, and wages. The issue is not unique to Nova Scotia, as both Newfoundland and Labrador and New Brunswick, which also entered into social housing agreements with the federal government, are experiencing the same pressure.

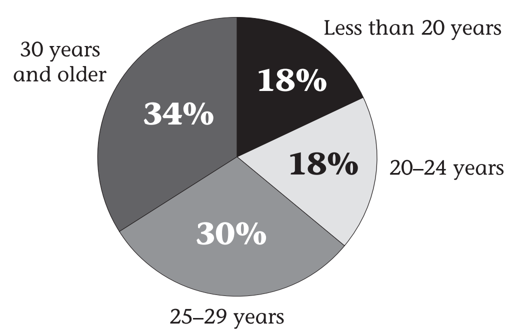
National Housing Framework

The Federal/Provincial/Territorial Housing Ministers have been pursuing the development of a National Housing Framework. The adoption of a framework could potentially have a profound impact on provincial housing activities. Work on the national framework has been delayed by protracted negotiations with the former federal government and now by a change in government at the federal level.

Aging Public Housing Stock

The province's public housing stock is aging. One in three public housing units (3,800) is at least 30 years old. Another 3,500 units were built 25–29 years ago. These units require more ongoing maintenance and capital improvements than those built within the past 20 years.

Nova Scotia Public Housing (2004)
By Age of Units (%)



Aging Private Housing Stock

Nova Scotia has one of the highest rates of home ownership in the country-almost 71 per cent in 2001 compared with the national average of 63 per cent-and some of the oldest housing stock. Almost 70 per cent of homes in Nova Scotia are at least 40 years old, with some 22 per cent, 60 years or older.[1]

Based on 2001 data, most Nova Scotia homeowners-89 per cent-live in homes that are not in need of major repair. However, some 11 per cent of Nova Scotian homes are in need of major repairs. Except for Halifax, this is true for each county in the province.[2] This continues to put pressure on home repair programs.

Rural/Urban Population Shift

Nova Scotia's population is on the move. Areas experiencing growth as a result of intra-provincial migration include Halifax, Hants, Colchester, Lunenburg, and Kings counties[3]. Other areas of the province are experiencing population declines, as people of all ages move closer to the more urban centres of the province. As a result, the rural/urban shift presents multiple challenges. Demand for seniors' public housing is growing in urban areas as seniors migrate to areas with better community services and more accessible public services. Conversely, some public housing projects, built over 20 years ago, are located in communities where there is no longer a high demand for public housing. Yet there is pressure to maintain existing rural housing despite population declines.

[Footnote 1. Canada Mortgage and Housing corporation, Canadian Housing Observer, 2004, Dwelling by Period of Construction, Nova Scotia 2001.]

[Footnote 2. Major repairs include defective plumbing or defective wiring, structural repairs to walls, floors, or ceilings, etc. (Statistics Canada).]

[Footnote 3. Cited in Painting the Landscape of Rural Nova Scotia, Statistics Canada. E-Stat (2002). 2001 Census of Population.]

Core Housing Need

Approximately 85 per cent[4] of Nova Scotia's households have acceptable housing. However, for other households, adequate affordable housing is the predominant factor driving other decisions. The corporation, working with the Department of Community Services, continues to develop new affordable housing options to create and preserve affordable housing in Nova Scotia.

Opportunities and Initiatives

To help address these challenges, the corporation is continually pursuing additional funding opportunities and exploring ways to promote effective and efficient management of operations, both for today and for the future. The corporation has been active in securing new funding agreements and has engaged in a number of major initiatives.

[Footnote 4. Based on CMHC's latest core housing need data.]

Affordable Housing Program, Phase II

On March 3, 2005, a new agreement with the Government of Canada for Phase II of the Affordable Housing Agreement, worth $18.92 million, was signed. This brings the total investment under the Canada-Nova Scotia Affordable Housing Program Agreement to $56.18 million in funding by 2010[5]. This investment is being shared by the Government of Canada and the Province of Nova Scotia and its housing partners. Delivery of the Phase II funding will commence in 2006–2007. This will include funding for new rental projects and for sustaining existing homeownership and rental housing.

Affordable Federal Housing Trust

In May 2006, the federal government introduced a new affordable housing trust for provinces targeted primarily to capital expenditures. Nova Scotia should receive approximately $23 million. This funding will enable Nova Scotia to upgrade and repair units that are at risk of falling out of the social housing portfolio.

Residential Rehabilitation Assistance Programs

In November 2005, the federal government announced a one-year extension to federal funding for Residential Rehabilitation Assistance Programs (RRAP). It is estimated that in 2006–2007 funding will be approximately $9 million. Based on prior years' experience, this funding will provide for assistance to some 900 households.

[Footnote 5. An amendment to the Affordable Housing Agreement extending the expenditure deadlines to 2010 is pending.]

Social Housing Programs Evaluation

Work is continuing on the evaluation of a number of programs under the Social Housing Agreement. The evaluation will provide valuable information on the performance, results, and cost-effectiveness of the federal/provincial social housing programs covered by the agreement. A report is expected early in the fall of 2006.

Strategic Goals

The goals of the Housing Development Corporation are to:

- foster healthy communities through innovative housing solutions.
- ensure access to a supply of safe, appropriate, affordable, and sustainable housing.

Core Business Areas

The corporation's core businesses are:

- managing the province's social housing funds and assets.
- providing financing to social housing projects.

- enabling the delivery of housing programs through funding agreements like the Canada-Nova Scotia Social Housing Agreement, the Canada-Nova Scotia Affordable Housing Agreement, and the Canada-Nova Scotia Housing Renovation Programs Agreement.

Priorities for 2006–2007

In setting the planning direction for the 2006–2007 fiscal year, the government has identified five key priorities:

- Health Promotion and Protection
- Youth, Families, and Communities
- Community Safety
- Economic Development and Infrastructure
- Environment

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

The priorities of the Nova Scotia Housing Development Corporation are shared with the Department of Community Services. In carrying out its core business, the corporation secures the necessary funding and manages the related assets to enable Community Services to provide programs that address the housing needs of Nova Scotians.

The following priorities are planned for the 2006–2007 fiscal year.

Priority: Implement Phase II of the Affordable Housing Program Agreement

As of March 31, 2006, the province will have fully committed all of the $37.26 million funding available under Phase I of the Affordable Housing Agreement. This funding was used to create or rehabilitate approximately 900 housing units. This investment was shared by the Government of Canada and the Province of Nova Scotia and its housing partners.

Funding under Phase II of the Agreement begins in 2006–2007. The Government of Canada has offered a series of changes, including additional flexibility in delivery, a rent supplement option for use of some federal funding, and an extension of the expenditure deadlines to 2010. An amendment to the Affordable Housing Agreement is pending.

In 2006–2007, implementation of Phase II, valued at approximately $18.9 million, will begin. This will bring the total investment under the Canada-Nova Scotia Affordable Housing Program Agreement to $56.18 million.

Priority: Strengthen the administration of mortgage and loans

In 2006–2007, the administration and management of the corporation's mortgage portfolio will be consolidated under the Finance and Administration Division of the Department of Community Services as part of the corporation's efforts to provide better service to its clients. This change will enable a more coordinated approach to mortgage management, facilitate the early identification of opportunities to reduce borrowing costs, and strengthen the relationship with the Department of Finance in the development/implementation of a strategy to achieve the best results for borrowers and the province.

Budget Context

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

Nova Scotia Housing Development Corporation Funding

Funding Source	Actual 2004–05 ($,000)	Forecast 2005–06 ($,000)	Estimate 2006–07 ($,000)
Revenue from Government Sources	92,700	103,600	115,100
Revenue from Rents	50,400	49,500	49,500
Interest, Revenue from Land Sales and Other Revenue	7,700	5,600	3,000
Total Funding	150,800	158,700	167,600

Nova Scotia Housing Development Corporation Expenditures

Expenditure Source	Actual 2004–05 ($,000)	Forecast 2005–06 ($,000)	Estimate 2006–07 ($,000)
Interest on Long-Term Debt	29,000	30,000	31,000
Property Management and Operations	41,600	42,100	44,000
Maintenance and Capital Improvements	24,600	24,000	27,500
Housing Renovation and Affordable Housing	11,350	19,100	28,100
Transfer to Housing Services*	24,900	24,900	19,500
Amortization of Investment in Social Housing	11,800	13,000	14,500
Administration Fee and Cost of Land Sold	7,550	5,600	3,000
Total Expenditures	150,800	158,700	167,600

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

Outcomes and Performance Measures

Core Business Area 1 *Manage the province's social housing funds and assets*

Outcome	Measure	Data	Target	Strategies to Achieve Target
Financial reserve funds are adequate; risk of loss to the province is minimized	% of co-operative housing organizations that achieve a ranking of Level I or a High Level II based on an annual assessment of their financial, democratic, and physical condition	FY 2005-2006 (BY): to be reported at the end of the fiscal year		• Implement the Co-operative Housing Ranking Model as an evaluation tool to assess the health of the Co-operative Housing Portfolio.

Core Business Area 3 *Provide financing to social housing projects*

Outcome	Measure	Data	Target	Strategies to Achieve Target
Government has additional options in managing capital financing for government sponsored housing	Number of social housing projects receiving financing assistance and/or mortgage guarantees	2004-05: 6 projects 2003-04: 9 projects 2002-03: 6 projects 2001-02 (BY): 1 project	Assist a minimum of three housing projects per year	• The corporation will continue to foster and pursue partnering opportunities with other departments and government agencies

Core Business Area 3 *Enabling the delivery of social housing programs through funding agreements.*

Outcome	Measure	Data	Target	Strategies to Achieve Target
More households in safe, appropriate, affordable, and sustainable housing	Affordable Housing Agreement funds committed to date on creating and renovating housing units	2005–06: committed to date $37.26 million 2004–05:committed to date $19 million 2003–04: committed to date $1.25 million 2002–03: committed to date $750,000	Commit Phase II funding $18.9 million by March 2008[6]	• Begin to implement Phase II Affordable Housing Agreement • Work in partnership with community based organizations, municipalities and the private sector to increase or preserve housing units.
	Number of households assisted through funding made available under the Housing Renovation Program Agreement	As of March 31, 2005: 835 dwelling units, 86 beds As of March 31, 2004: 919 dwelling units, 68 beds As of March 31, 2003 (BY): 1,021	Continue to maximize the benefits associated with housing repairs for those most in need, based on the funds available in each fiscal year	• Utilize the full annual funding available for renovation programs

[Footnote 6. An amendment to the Affordable Housing Agreement extending the deadlines to 2010 is pending.]

Crown Corporation
B U S I N E S S   P L A N S
FOR THE FISCAL YEAR 2006–2007

Nova Scotia Liquor Corporation
Business Plan 2006–2007

Contents

Purpose

Bringing a world of beverage enjoyment to Nova Scotia.

Mandate

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

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

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

We aspire to our purpose through our vision.

Vision

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

Living our purpose and vision entails a culture

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

Planning Context

The NSLC is competing in a retail marketplace that is rapidly changing to meet increasingly sophisticated and demanding consumer needs. Retailers are constantly evolving to provide a more customer-sensitive environment in order to maintain and increase earnings. The NSLC is competing directly for a share of the customer's discretionary income. In this changing environment, technology, convenience, service, and product selection are key to modern retailing.

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

Customer Base

The population base of Nova Scotia is expected to remain relatively stable without any major increase or decrease expected over the period of this business plan. However, there are significant changes occurring within the population of the province that impact current and future business practices of the NSLC. Population shifts, in particular, urban/rural shifts and changes to the age of the population, impact the delivery of our retail offering. According to Statistics Canada, Nova Scotia's population growth is occurring primarily in the Halifax Regional Municipality, and the median age of the population is increasing.

Research also shows that 65 per cent of the Nova Scotia population is of legal age to consume beverage alcohol, while 26 per cent do not drink. The NSLC customer base is about 550,000 people, with most visiting an NSLC store once a month, and half visiting an NSLC store two to three times a month. The NSLC customer base increases with seasonal variations. These include the substantial increase during summer months resulting from the province's tourism industry. With almost half of the tourism visits in Nova Scotia occurring over the four-month summer season of June, July, August, and September, the NSLC is particularly impacted in these months. With 16 per cent of every tourism dollar spent on shopping, the NSLC continues to focus on serving these customers in high periods. The NSLC also has a modest increase from September to May as a result of the return of students to college and university. This is particularly so in the HRM, Wolfville, and Antigonish markets.

The 2,100 licensed establishments in Nova Scotia (restaurants, bars, hotels, and lounges) represent 18 per cent of the NSLC's gross sales. The NSLC is a wholesale distributor of beverage alcohol to these establishments.

The vendors and agents of those companies that manufacture the products that NSLC retails and wholesales are critical stakeholders in our business. The NSLC sells 2,600 to 3,000 products from more than 50 countries.

Economy

The Atlantic Provinces Economic Council (APEC) reports that the Nova Scotia economy grew in 2005 by 1.7 per cent real GDP growth. In 2006 they expect this to improve by 0.6 per cent to 2.3 per cent. Retail sales growth in Nova Scotia was well behind the 6.8 per cent national average in 2005 posting an increase of 0.8 per cent to 3.6 per cent in 2005. NSLC sales in 2005 were up by more than 7 per cent. In 2006 the Retail Council of Canada (RCC) estimates that retail sales will grow at 3.5 per cent. APEC is projecting an unemployment rate 8.4 per cent for Nova Scotia in 2006.

Tourism plays an important role in NSLC seasonal sales. According to the Nova Scotia Department of Tourism, Culture and Heritage, total visits to Nova Scotia declined by 4 per cent in 2005 after two years of robust cumulative growth of 13 per cent. The largest decline occurred with visitors arriving by motor vehicles. The stronger Canadian dollar and higher gasoline prices impacted these numbers in 2005.

Labour Relations

NSLC has three groups of unionized employees, each with its own collective agreement. All three groups are represented by the Nova Scotia Government and General Employees Union (NSGEU). Unionized employees include select head office staff, all permanent part-time and full-time store clerks, store managers and assistant managers, as well as maintenance staff and most employees in the Distribution Centre. All three collective agreements were renegotiated in 2005. They expire in 2007. Management will begin preparations for the next round of negotiations this year.

Business Planning

The NSLC introduced a new Five-Year Strategic Plan in 2005. The continuous planning process the organization will follow will see this plan revisited each year as the NSLC works towards its goals for 2010. This annual Business Plan outlines the major annual projects and priorities the NSLC will be focused on delivering in the current year of the five-year plan.

Retail Environment

The retail environment in Nova Scotia, as elsewhere, is undergoing significant change. Consumers are better educated, reflect greater diversity, have higher expectations, and understand their shopping alternatives. Retailers are responding by investing in systems, tools, and technology to allow them to better understand and measure the drivers of success in this changing retail landscape. Nova Scotians increasingly have greater choice of where and how to spend their discretionary income. According to the RCC, the retail industry is the largest employer in Nova Scotia, accounting for 13 per cent of the labour force and more than $10 billion in annual sales.

Over the past 10 years, there has been a strong trend of US retailers entering the Canadian marketplace. US retailers account for approximately 30 per cent of Canadian retail sales. This shift has caused a retail trend change away from traditional downtown core shopping areas to suburban regional retail “power centres” where large US and Canadian retailers such as Costco, Home Depot, Walmart, Chapters, Kent, and Canadian Tire are locating. In addition, the growing focus on Walmart in the grocery area will see them open 12 new “Super Centers” in Canada by the end of 2007. These Super Centers will offer groceries as one of Walmart's primary product offerings. This will impact the grocery business in Canada substantially. It is not yet clear if Atlantic Canada, and Nova Scotia particularly, will receive one of these new format Walmart stores.

Power centres offer consumers a greater depth of product offerings at a perceived lower cost. This has not only impacted the traditional downtown shopping experience, but has also reduced the consumer draw to smaller community shopping centres. The NSLC has responded to this trend by restructuring its store network so that the NSLC is now present in most shopping power centres throughout the province.

In this environment, the NSLC must find ways to improve customer access and service and increase product variety and convenience in the most cost-effective manner possible. This means the NSLC must not only meet the increasingly sophisticated shopping needs of our customers with regard to product selection and availability, but that it must locate its stores in areas that are representative of current consumer shopping patterns and markets. The retail customer is looking to reduce the number of shopping trips and as a result is responding to retailers that make their shopping experience more convenient and give them one-stop shopping opportunities. For these reasons, the NSLC customer is responding favourably to the NSLC strategy of locating its stores next to major grocery stores. There is a natural shopping fit between beverage alcohol and food. The NSLC will continue to pursue locations with grocery stores within the province in response to these challenges.

The co-location of liquor and grocery stores enhances the natural association of food and beverage alcohol pairings with added convenience for the shopper. New stores or relocating older stores to these grocery locations allows NSLC to renew its store network in a cost-effective way and to re-image the stores to best meet changing expectations.

The NSLC continues to identify communities and customer segments that are being underserved. Some smaller communities in remote areas are often some driving distance from the closest NSLC store; the NSLC will consider establishing additional agency stores for more convenient shopping in these communities in which the operation of a new NSLC retail store cannot be economically supported.

In addition, the NSLC is a wholesale distributor of beverage alcohol to the 2,100 licensed establishments in Nova Scotia (restaurants, bars, hotels, and lounges). This business has traditionally represented 18 per cent of the NSLC's gross sales. According to the Canadian Restaurant and Food Service Association overall sales in this sector have declined in 2005 when compared to 2004 by 10.4 per cent. NSLC sales to these establishments declined by more than 3 per cent during the same period.

Business Focus

The NSLC has five key elements to its business: (1) supply chain, (2) retail, (3) wholesale, (4) corporate services, and (5) regulatory.

Supply Chain

Like all retail businesses, the backbone of the NSLC is an effective and efficient supply chain. The logistics of getting the product from its point of manufacture anywhere in the world to the Halifax Distribution Centre in Bayer's Lake and then out to retail stores is an enormous undertaking, which speaks to the efficiency of the business. In addition, the supply chain work of the NSLC must also meet the needs of licensees, agency stores, and private wine and specialty stores in order for them to meet their customers' needs.

Retail

Once the product is in Nova Scotia, the NSLC is responsible for retailing beverage alcohol to the consumer. It does so through more than 105 retail stores, which range from the traditional NSLC store and the higher-end Port of Wines store to the new NSLC Winebaskets offering a convenient wine-only small-format store. The NSLC is constantly examining retail market patterns to ensure that the store network is best designed to meet the constantly evolving needs of the consumer.

A key element to retail success is the knowledge, experience, and talents of retail store staff. NSLC employs over 1,300 people in communities across the province and strives to support and enhance their skills to deliver superior customer service in a vibrant retail environment.

Wholesale

With the exclusive responsibility in Nova Scotia to acquire and distribute beverage alcohol the NSLC also serves as a wholesaler. The wholesale market makes up approximately 18 per cent of all NSLC revenues. The NSLC's wholesale market involves supplying the province's licensees (restaurants, bars, lounges, and hotels licensed to sell beverage alcohol), NSLC agency stores, and private wine and specialty stores (PWSS) with beverage alcohol products.

Corporate Services

The NSLC has a number of corporate services that enable the supply chain, retail, and wholesale functions to operate efficiently and effectively. These include the choice of products offered, the marketing and promotion of those products, the financial management of the business, meeting the human resource needs of the NSLC, the development and maintenance of the NSLC's facilities and store network, the use of information technology to improve the efficiency of the business and facilitate the shopping experience, and the transparent communication of the goals of the organization both internally and externally.

Regulatory

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

A major part of the NSLC's regulatory obligations includes activity related to wineries, breweries, and distilleries manufacturing products within Nova Scotia. The NSLC recognizes the value that these local manufacturers add to the Nova Scotia economy and the great potential that their products offer in markets, both local and worldwide. All local producers are able, once permitted by the NSLC, to operate a retail outlet at their place of manufacture. In addition, the NSLC issues special permits for some of these producers to retail their product in areas such as farmers' markets.

The NSLC Customer

The key to any successful retail organization is to know who the customer is and what their needs are, to meet these needs, and to anticipate how best to serve them in the future. Traditionally as a monopoly, the NSLC viewed its customer to be everyone in Nova Scotia. But this is not the case. For many reasons approximately 26 per cent of legal drinking age Nova Scotians do not drink beverage alcohol. The result is that the NSLC customer is different in both profile and need from the general population.

Through both quantitative and qualitative research the NSLC has segmented its customer base in order to offer a better retail shopping experience. Driving this segmentation is the recognition that NSLC customers buy products for specific uses or occasions. The NSLC customer buys for one or more of the following distinct reasons:

1. Celebration: For holidays and special occasions
2. Socializing: With groups of friends, relatives, or colleagues
3. Simple Pleasures: At home or after a meal
4. Letting Loose: for week-ends
5. Savouring: Before and during the meal-time experience
6. Unwinding: At the end of the day, through the week, alone time

These are the NSLC's customer segments. This captures well why the NSLC customer purchases. In order to fully understand customers' needs the NSLC also needs to answer who is purchasing for these occasions, what are they purchasing for each occasion, when are they buying, and how much are they spending when they are doing it. Based on the NSLC's new understanding, when a customer is purchasing products for one of the reasons outlined in the customer segmentation above, the questions just listed are answered by understanding our customer types. The NSLC customer is one of the following:

1. Adventurer: Buys different products frequently across categories
2. Loyalist: Buys the same product frequently
3. Discoverer: Buys different products across categories shopping occasionally
4. Maintainer: Buys the same product shopping occasionally.

Through understanding the needs of the NSLC customer, the organization will be better positioned to ensure that “the NSLC complements all of life's occasions.” This is the company's brand positioning.

Strategic Plan

In 2005 the NSLC released a new five-year strategic plan for the organization that sets out its business objectives through 2010 and outlines the NSLC's Customer Promise:

- The NSLC will provide our customers with service that:

  - aligns product availability and selection with our customer needs

  - is a vibrant, interactive, and inviting Nova Scotia shopping experience

  - ensures discovery and personal service with friendly and professional staff

The focus of the Strategic Plan is to “transform the NSLC from a place to buy something into a place to shop.”

The NSLC has identified five strategic pillars to guide its operations during the period of the strategic plan.

- **Stewardship**
  As a Crown corporation the NSLC is legislated to deliver its business according to the Liquor Control Act. This pillar sets out how the NSLC will deliver on the responsibility entrusted to it by Nova Scotians.
- **Customer**
  This pillar outlines how the NSLC will deliver on its customer promise.
- **Reputation**
  The overall reputation of an organization impacts its financial success. This pillar sets out the NSLC's commitment to enhance reputation and measure progress.
- **People**
  Having the right people, working in an enjoyable and effective work environment, drives success. This pillar sets out how, as a modern retail business, the NSLC will develop its people.
- **Financial**
  This pillar sets out the organization's top and bottom line performance expectations.

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

Priorities for 2006–2007

Pillar: Stewardship

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

2006–2007 Priorities

- Implement a board education and development plan.
- In conjunction with the Audit Committee of the board and the Finance Division, ensure that appropriate enterprise risk management strategies and processes are implemented.
- Assist the Wine Association of Nova Scotia with its marketing efforts through an industry economic impact study.
- Develop and implement new advertising strategies to deliver the NSLC's mandate to promote intelligent consumption.
- Conduct an economic impact study of the private wine and specialty store model.

Pillar: Customer

Five-Year Goal: To match the customer experience with the customer promise

2006–2007 Priorities

- Aligns product availability and selection with our customer needs

  - Introduce new category management plans for all categories and sub-categories, including a regular assortment review, listing, and delisting process for each sub-category to ensure that product selection meets customer needs.

  - Implement a merchandising strategy through new shelf-management plans for each store, ensuring product visibility and accessibility.

  - Develop, resource, and implement a licensee service strategy.

  - Drive excellence-in-execution standards of merchandising and marketing programs at the store level.

- Is a vibrant, interactive, and inviting Nova Scotia shopping experience

  - Enhance the impact of the visual merchandising System to better deliver the NSLC brand message and store sales message.

  - Make key store design elements of the new NSLC brand consistent across the entire network.

  - Make effective use of the new in-store signage program to provide monthly intelligent consumption messaging to customers.

- Ensures discovery and personal service with friendly and professional staff

  - Begin new training programs for employees encompassing sales and category education and knowledge.

  - Introduce more detailed on-shelf product information for customers.

  - Develop consistent store-operating standards across the network.

Pillar: Reputation

Five-Year Goal: To be recognized as a leading retailer in Nova Scotia

2006–2007 Priorities

- Conduct and establish performance targets for the annual survey to rank leading retailers in Nova Scotia.
- Develop a retail customer service centre of excellence to facilitate improved customer service and more efficient service delivery.
- Provide transparent and proactive communication of the NSLC's business success.
- Introduce enhancements to the store network that continue to elicit the pride and enthusiasm of Nova Scotians.

- Develop a product vendor partnership strategy, enhancing business performance.

Pillar: People

Five-Year Goals:

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

2006–2007 Priorities

- Develop an employee recognition program to identify and reward those who perform above and beyond expectations.
- Increase use of cross-functional teams and meetings, including quarterly head office communications meetings, executive participation in regular regional store manger meetings, and an annual conference of all employees, and for special initiatives such as Project 360.
- Create development and succession planning for management and the executive.
- Develop and roll out a tiered training program with certification for staff, including sales skills and product segment knowledge at beginner, intermediate, and advanced levels.
- Identify and reduce activities at the Distribution Centre and retail stores that do not support NSLC's ability to deliver on the customer promise and ensure supply chain efficiencies.
- Establish and implement an updated safety management system.
- Introduce wellness initiatives in support of a healthy workplace.

Pillar: Financial

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

2006–2007 Priorities

- To deliver $494 million in net sales (this will produce a two-year CAGR of 4.6 per cent)

  - Move consumers up within categories through the use of promotions, advertising, and shelf-management principles.

  - Introduce a disciplined approach to category management focused on SKU profitability and assortment driven by customer segmentation and analysis.

  - Review social reference price and category price banding strategies.

Five-Year Goal: To contribute $215 million to the province by 2010

2006–2007 Priorities

- To return $184.4 million net income from operations to the shareholder

  - Examine strategies to improve gross margin.

  - Implement SAP software and design new business processes through Blueprint, Realization, Final Preparation, and Go live stages for the Finance and Supply Chain Divisions.

  - Implement SAP-Retail software, integrate a new point-of-sale system, and design new business processes through Blueprint, Realization, and Final Preparation stages for the retail store network.

  - Review supply chain efficiencies to improve performance to retail, licensee, and PWSS and explore replenishment strategies with vendors and other liquor jurisdictions.

Five-Year Goal: To effectively use our capital

2006–2007 Priorities

- Decrease/eliminate unproductive inventory in both the store network and the Distribution Centre.
- Develop as part of category management an exit strategy for delisted product.
- Complete the final year of the Network Development Plan and create the a new network plan for the years ahead.
- Establish a return on investment (ROI) hurdle rate model for prioritizing capital expenditures.

Strategic Enablers

Across the entire business there are a number of key initiatives that the NSLC will focus on this year that are essential elements of moving the organization forward to deliver it customer promise and on shareholder expectations. Three important enablers over this year are the NSLC brand, the NSLC Corporate Marketing Plan, and our business process improvement initiatives.

The NSLC Brand

The effective implementation of the NSLC brand brings together all customer touch points, leaving an overall impression of the organization to our customers. These include the physical store environment, staff interaction, logo, product selection and availability, promotions and advertising, impressions left by news media, events and many other more intangible elements. Every place a customer can interact with your company is a touch point, and that touch point affects how you are perceived. Perception impacts a customer's willingness to respond to a businesses effort to get them to purchase products.

Brand = Promise + Performance + Perception

This past year the NSLC introduced across its store network a new logo and a new look for store staff. This is derived from the new positioning for the NSLC that drives our brand:

The NSLC complements all of life's occasions

From this brand positioning for the company the NSLC has a new tagline:

Make it a social occasion

Building on this positioning and tagline is our marketing magazine *Occasions* and our customer segmentation approach based on purchasing occasions.

Moving forward, the NSLC is going to focus on improving staff knowledge of the products we sell and improving the overall sales message in the store. In addition, there will be increased focus on providing self-education tools for customers both in-store and through our website, www.thenslc.com, as well as the NSLC's special events.

The NSLC brand will continue to evolve to move the organization closer to delivering on the customer promise.

The Corporate Marketing Plan

The NSLC will introduce this year a Corporate Marketing Plan to help guide the organization on meeting its commitments under the Five-Year Strategic Plan. It puts "meat on the bones" of the strategic plan. The Corporate Marketing Plan analyses the business as it currently stands and provides a blueprint as to how the NSLC will reach the goals set out in the Five-Year Strategic Plan. This includes details on the customer experience, what is the sales culture the NSLC is trying to create, who is the customer, what will the customer offer look like in 2010, what is the NSLC's optimum product offer for profitability, and how does the organization maximize financial performance through the use of pricing and gross margin.

Multi-year divisional plans, the NSLC annual business plan, and annual divisional plans will use the Corporate Marketing Plan to deliver each part of the business.

Business Process Improvement

Getting better at determining the mix of products customers desire and ensuring that they are on the shelves when customers need them is why the NSLC is investing considerable resources this year and next in our core technology and business processes. At the heart of this business process are our core technologies for product ordering, financial management, human resource management, data warehousing, and the point-of-sale system.

A major focus of the NSLC this year will be the design and implementation of business processes and technology to replace these legacy systems. The NSLC has chosen the SAP-Retail solution to move the organization forward in this regard. The NSLC purchased this retail software from SAP, the largest worldwide provider of business software solutions. This system is used by many of the world's most successful retail businesses. Our point-of-sale system replacement will be tendered during the year, and a new system chosen to work with our new business technology.

We have called this major initiative Project 360 because this name reflects our desire to have "one view" of all aspects of our business. This means that all data and information are collected in one system, providing one "look and understanding" for everyone who uses the system. Better business intelligence for the NSLC will assist in making business decisions based on customer insight and intelligence. By improving decisions, the NSLC will offer an improved shopping experience for our customers and increase financial return for our shareholder.

Over the next two years, this will change how we do our business and provide the necessary tools and information to help NSLC achieve its goal of becoming a superb retailer.

Risk Factors

The ability of the NSLC to meet these commitments can be impacted by factors beyond its control. Some of these include the impact that weather throughout the province can have on sales. Severe winter weather has in past years resulted in the closure of stores across the province, reducing overall sales. Unseasonably cool summers, rain, and fog also tend to impact sales.

The beer segment is particularly subject to sales fluctuations in this regard. With 80 per cent of the volume of product sold by the NSLC represented by the beer category, this is an area of great vulnerability to weather conditions.

The products sold by the NSLC are purchased with the discretionary income of customers. General economic conditions in the province affect discretionary income and could reduce NSLC sales and overall profitability.

With regard to the risks associated with weather and the economy, the NSLC has put in place monitoring and performance measures to enable management to make offsetting decisions, minimizing the risk associated with these factors.

Major business process initiatives associated with the implementation of SAP carry inherent risk factors that can temporarily impact product supply and payment when they first go live. Due diligence has been performed by the NSLC in undertaking this initiative to mitigate possible business interruption.

The perspective of the Government of Nova Scotia as the sole shareholder of the NSLC can impact the NSLC's business plan. Shifts in public policy and the public interest as voiced by the government will impact the NSLC's ability to deliver this business plan as outlined.

The Board of Directors and management have also committed to ensuring that appropriate enterprise risk management strategies and processes are implemented during this year.

Budget Context

Financial Plan

	Actual 2003–04 $	Actual 2004–05 $	Forecast 2005–06 $	Estimate 2006–07 $	Change
Spirits	135,605,145	138,031,068	145,522,000	147,705,000	1.5%
Wine	69,766,469	74,152,151	80,666,000	85,151,000	5.6%
Beer	217,663,830	224,344,466	239,960,000	245,983,000	2.5%
Ready to Drink	15,993,285	16,048,807	17,284,000	17,975,000	4.0%
Non liquor	527,462	633,504	300,000	300,000	0.0%
Total Gross Sales	439,556,190	453,209,996	483,732,000	497,114,000	2.8%
Less: Discounts	2,404,073	2,255,353	2,515,000	2,650,000	5.4%
Net Sales	437,152,117	450,954,643	481,217,000	494,464,000	2.8%
Cost of Sales	213,307,519	216,981,780	230,681,000	236,942,000	2.7%
Gross Profit	223,844,598	233,972,863	250,535,000	257,522,000	2.8%
Less: Store Operating Expenses	37,989,204	41,993,977	44,969,000	47,200,000	5.0%
Gross Operating Profit	185,855,394	191,978,886	205,566,000	210,322,000	
Less: Warehousing & Distribution	5,439,214	5,160,908	4,850,000	4,900,000	1.0%
Corporate Services	10,577,704	13,533,774	16,583,000	16,575,000	0.0%
Other Expenses	4,415,557	4,091,659	5,397,000	4,800,000	-11.2%
Add: Other Revenue	4,528,761	4,833,735	6,071,000	6,150,000	1.3%
Total Expenses (Excluding Stores)	15,903,714	17,952,606	20,759,000	20,125,000	-3.1%
Operating Income before Depreciation	169,951,680	174,026,280	184,807,000	190,197,000	2.9%
Less: Depreciation	3,199,983	3,991,970	4,930,000	5,700,000	15.6%
Income from Operations	166,751,697	170,034,310	179,877,000	184,497,000	2.6%
Volume Growth					
Spirits	5,138,650	5,229,430	5,209,000	5,209,000	0.0%
Wine	6,174,890	6,562,865	6,919,000	7,196,000	4.0%
Beer	62,115,530	61,922,196	63,027,000	63,342,000	0.5%
Ready to Drink	2,586,480	2,537,039	2,664,000	2,771,000	4.0%

Outcomes and Performance Measures

The NSLC will meet or exceed the following key financial performance measure for the organization.

Net Income

	Actual 2003–04	Actual 2004–05	Forecast 2005–06	Estimate 2006–07	Year 2 CAGR
Income From Operations	167,793,229	170,034,310	179,900,000	184,500,000	5.0%

Supporting Operating Initiatives

Outlined below are some of the indicators used by the NSLC to ensure that maximum shareholder return is achieved while operating a modern retail business.

Customer Satisfaction Index

The NSLC has redesigned the CSI in order to provide management with more specific information on how to improve the customer experience. A baseline performance was established in 2005–2006. Baseline performance will be established during 2006–2007 performance targets on specific customer measures will be set.

Retail Ranking

The NSLC is establishing a ranking of retailers through an annual survey. The NSLC will establish baseline performance measures against public expectation of retail businesses.

Balanced Scorecard

The NSLC will introduce detail metrics for managing progress in the business. These metrics include both financial and non-financial performance, ensuring alignment with the Five-Year Strategic Plan. This scorecard is the key to managing the financial measures of the Five-Year Strategic Plan including the 2010 goals of a 4.1 per cent compound annual growth rate (CAGR) on the top line and the net return to the shareholder of $215 million in 2010.

Net Sales (millions)

Actual 2002–03	Actual 2003–04	Actual 2004–05	Forecast 2005–06	Estimate 2006–07	Year 2 CAGR 2006–07
$412.4	$437.2	$451.0	$481.2	$494.4	4.8%

Operating Expense Ratio

Actual 2002–03	Actual 2003–04	Actual 2004–05	Forecast 2005–06	Estimate 2006–07
12.8%	13.1%	14.2%	14.7%	14.6%

Operating Expense Ratio (excluding depreciation and amortization)

Actual 2002–03	Actual 2003–04	Actual 2004–05	Forecast 2005–06	Estimate 2006–07
11.9%	12.3%	13.2%	13.7%	13.6%

Net Income Ratio

Actual 2002–03	Actual 2003–04	Actual 2004–05	Forecast 2005–06	Estimate 2006–07
36.2%	38.2%	38.4%	37.4%	37.3%

Store Operating Ratio

Actual 2002–03	Actual 2003–04	Actual 2004–05	Forecast 2005–06	Estimate 2006–07
8.7%	8.7%	9.3%	9.3%	9.5%

Crown Corporation

BUSINESS PLANS

FOR THE FISCAL YEAR 2006–2007

Nova Scotia Municipal Finance Corporation

Business Plan 2006–2007

Contents

Mission

To provide capital infrastructure financing to its clients at the lowest available cost, within acceptable risk parameters, and to provide financial management advice and assistance to clients.

Planning Context

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

- Access to capital markets: The NSMFC must ensure that it has access to capital markets and that it has the financial and administrative ability to meet municipal government demand for capital infrastructure funding.
- Keeping abreast of developments in municipal government capital finance: As a specialist organization, the NSMFC is challenged to develop, maintain, and demonstrate expertise in municipal government capital finance.
- Maintaining financial self-sufficiency: In order to meet its mandate, the corporation must remain economically viable in both the short and long term. This includes a matching of assets and liabilities both to amount and maturity, as well as maintaining banking arrangements and credit facilities, credit risk, adequate reserves, and the ability to manage administration expenses within its budget.
- Identifying client needs and responding to them: Opportunities exist to assist municipal governments in Nova Scotia with long-term capital planning and financing options.
- Developing partnerships: There are opportunities to develop partnerships with organizations such as the Federation of Canadian Municipalities to provide a conduit for low-cost loans for clients.

The major risk to the corporation is the availability of human and financial resources needed to carry out its mandate. Some resources are directly under the control of the board, whereas others are provided by provincial departments. The NSMFC will continue to work with these provincial departments to align both sets of priorities.

Strategic Goals

The NSMFC's strategic goals are designed to assist the government in its corporate goals of healthy and sustainable communities and fiscal sustainability. Capital infrastructure is a major component of economic development in both attracting and retaining business investment and promoting communities that are attractive places in which to live.

The following strategic goals have been developed to assist the NSMFC in meeting its mission of providing the lowest available cost of financing for municipal capital infrastructure and long-term financial planning and to support the provincial government's priorities of economy, jobs, and growth.

- To provide capital infrastructure financing to our clients at the lowest available cost, within acceptable risk parameters, and to meet their particular debt structure and timing needs
- To ensure access to capital markets through prudent management of all financial aspects of the corporation, which includes credit risk and asset/liability management
- To help build financial management knowledge in municipalities and promote municipal capital project planning and financing

Core Business Areas

1. *Provide capital financing at lowest available cost*

- Provide financing for clients' approved funding requirements through the issuing of pooled debentures. Pooling of capital requirements allows the NSMFC to issue debentures in capital markets at rates lower than if single issues were placed for clients.
- Provide financing options for clients through the short-term loan program and bridge-financing program.
- Facilitate and participate in loans to municipalities from financing sources such as the Federation of Canadian Municipalities Green Fund, where funding is available for projects meeting established criteria at below-market rates.
- Develop and review policies regarding the corporation's use of financial innovation techniques and instruments.

2. *Prudent financial management of the corporation to ensure access to capital markets*

- Ensure that an acceptable process is in place for evaluating the creditworthiness of the loans made by the corporation.
- Ensure that the corporation's assets and liabilities are matched in both amount and maturity.
- Provide prudent administration of the corporation's financial resources to ensure that the corporation's administrative expenses and reserve balances are within approved policies.

3. Help build municipal financial management knowledge by encouraging municipal governments to develop and maintain a long-term strategic approach to capital project planning and finance.

- Partner with municipal clients, Service Nova Scotia and Municipal Relations, and the Association of Municipal Administrators (AMA) on the topic of capital planning and finance through the identification of relevant professional association resources.
- Develop best practices and models to help build financial management knowledge in municipal government.
- Maintain links with the investment community, public-sector finance practitioners, and academics and carry out research as required to enable the corporation to respond to changing client needs.

Priorities for 2006–2007

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

1. Provide capital financing at the lowest available cost

- Issue pooled debentures for the approved amount required to meet municipal borrowing requirements and lend a similar amount to municipal units and enterprises. New debenture issuance is expected to be in the range of $137 million; this is balanced against retirements of existing debenture in 2006–2007 of approximately $87 million. Pooling of capital requirements allows the NSMFC to access capital markets and achieve pricing based off the Province of Nova Scotia spread.
- Facilitate and participate in loans to municipalities from the Federation of Canadian Municipalities Green Fund, where funding is available for projects meeting established criteria at below-market rates.

2. Prudent financial management of the corporation to ensure access to capital markets

- Obtain verification of creditworthiness from the Department of Service Nova Scotia and Municipal Relations (for municipal borrowers) prior to setting the parameters for pooled issues.
- Match the amount, term, and timing of NSMFC debentures and loans to units.
- Manage the NSMFC's financial resources (budget and reserves) according to policies established by the corporation's Board of Directors.

- Develop a risk management strategy for the corporation to ensure business continuity.

3. Help build municipalities' financial management knowledge by encouraging municipal governments to develop and maintain a long-term strategic approach to capital project planning and finance.

- Continue to provide a leadership role in the Financial Management Capacity Building Committee initiative to promote financial and budgeting policies to municipal governments in Nova Scotia.
- Finish the roll-out of the Debt Affordability Model and provide technical support for municipal administrators. The Debt Affordability model is a tool for use by municipal councils to help answer the question of how much debt is too much debt for their municipal unit.
- Establish committees, as required by the board, to study the merits of new products and services and alternative ways to meet municipal capital borrowing requirements. A key priority for 2006–2007 will be to analyse the impact of increased federal cost-shared programs (e.g., gas tax revenue sharing, municipal rural infrastructure program) on the programs and services of the corporation.
- Work with the corporation's lead managers and other members of the investment community, staff of the Nova Scotia Department of Finance, other Municipal Finance Corporations, and others involved in municipal capital financing to identify evolving municipal government financial needs and the optimum means of satisfying them.

Human Resource Strategy

Organizations with small staff complements are challenged when developing human resource strategies, particularly in the area of succession planning, as the skills requirements for the corporation's positions are diverse. The board's strategy has been develop and retain existing staff and to build capacity by involving other civil servants in the operation of the NSMFC through corporate officer positions and secondment opportunities. Development and training opportunities are made available to existing staff to enable them to stay abreast of developments in the industry.

Budget Context

Nova Scotia Municipal Finance Corporation Estimated Budget Expenditures

	Estimate 2005–06 ($,000)	Forecast 2005–06 ($,000)	Estimate 2006–07 ($,000)
Total Program Expenses—Gross Current	318.1	285.8	391.8
Net Program Expenses—Net of Recoveries* (see note below)	0.0	0.0	0.0
Salaries and Benefits—Gross	229.1	201.3	306.4
Funded Staff (FTEs)—Gross	3	3	4

* Note: The NSMFC is completely self-funded. The costs of administration are covered through an administrative fee that is levied on all municipal loans and from interest revenue earned on short-term investments.

Nova Scotia Municipal Finance Corporation Balance Sheet as at March 31, 2005 (Audited)

Assets	
Current Assets	
Cash	$ 16,658
Short-term investments at amortized cost	4,526,403
Accrued interest receivable	9,989,752
Other receivables	495
Principal due within one year on loans to units	81,038,164
Long-term Assets	
Loans to units	590,320,848
Less principal included in current assets	(81,038,164)
Investments at amortized costs	441,811
Deferred Charges	
Discount on debenture debt	2,388,291
less accumulated amortization	(1,658,139)
Total Assets	$ 606,026,119
Liabilities and Equity	
Current Liabilities	
Accounts payable	$ 34,472
Due to municipal units	136,217
Accrued interest payable	9,956,536
Principal due within one year on debenture debt	80,999,289
Employee obligations	74,520
Long-term Debt	
Debentures payable	590,021,242
Less principal included in current liabilities	(80,999,289)
Deferred Credits	
Discount on loans to units	2,381,966
Less accumulated amortization	(1,656,296)
Equity	
Reserve Fund	5,077,462
Total Liabilities and Equity	**$ 606,026,119**

Statement of Revenue, Expenses and Reserve Fund (year ended March 31, 2005) (Audited)

Revenue	
Interest on loans to units	$ 31,346,386
Amortization of discount on loans to units	216,518
Interest on short-term investments	118,262
Debenture expense recoveries and reserve fees	1,473,432
Total Revenue	33,154,597
Expenses	
Interest on debenture debt and short-term loans	31,319,288
Amortization of discount on debenture debt	217,228
Debenture issue expense	1,056,502
Administrative expense	314,294
Total Expenses	32,907,312
Net Revenue	247,285
Reserve Fund, Beginning of Year	4,830,177
Reserve Fund, End of Year	$ 5,077,462

Outcomes and Performance Measures

Core Business Area 1 *Provide capital financing at lowest available cost*

Outcome *(immediate or intermediate)*	**Measure** *(outcome-based; quality, efficiency/productivity, cost-effectiveness)*	**Data** *(survey results form % baseline data)*	**Target 2007–08**	**Strategies to Achieve Target**
To provide the lowest available cost of financing to clients in a timely manner	Percentage of clients that are satisfied with the timing and processing of debenture issues • Regional municipalities • Rural municipalities • Towns	 50% 75% 89%	 100% 95% 95%	• Explore aligning debenture issues with the construction completion schedule and capital budgeting process • Conduct exit surveys of units that participate in the debenture issue to measure satisfaction
	Percentage of clients that agree that the debenture terms and structure are flexible enough to meet their needs. • Regional municipalities • Rural municipalities • Towns	 50% 56% 89%	 100% 90% 95%	• Improve the flexibility of short-term financing program • Work with municipal units on financing options (payments and term) • Communicate options through the use of web page and one-on-one consultations
Lowest available cost of financing for clients	Quality of credit loans Pricing received from lead managers in relationship to the Province of Nova Scotia's cost of funds	Procedures ensure creditworthiness of loans Provincial guarantee allows the MFC to price off the PNS spread	Regular review of loan procedures Maintain access to the provincial guarantee	• Maintain quality of portfolio, increase profile of NSMFC credit quality to maintain strong relationship with government to ensure its support of provincial guarantee

Core Business Area 2 *Prudent financial management of the corporation's resources to ensure access to capital markets*

Outcome *(immediate or intermediate)*	**Measure** *(outcome-based; quality, efficiency/productivity, cost-effectiveness)*	**Data** *(survey results form % baseline data)*	**Target 2007–08**	**Strategies to Achieve Target**
Ensure a sustainable source of funding is available for financing requests from clients and to ensure the operation of the corporation	Client default rate (default is defined as failing to make a principal or interest payment within five days of the due date)	0	0	• Ensure that all loans are creditworthy • Review the current creditworthiness procedure to ensure it remains 100% effective • Review process for timely payment of loans
	Matching of assets and liabilities Similarity of aggregate amounts, terms, and timing of debentures and loans	Assets and liabilities are matched to term and timing	Maintain matched amounts	• Match the term and timing of NSMFC debentures and loans to clients
	Adoption of a risk management strategy	n/a	Plan adopted by 2005–2006	• Research and develop a risk management framework for the corporation.

Core Business Area 3

Help to build municipal financial management knowledge by encouraging municipal governments to develop and maintain a long-term strategic approach to capital project planning and finance

Outcome *(immediate or intermediate)*	**Measure** *(outcome-based; quality, efficiency/productivity, cost-effectiveness)*	**Data** *(survey results form % baseline data)*	**Target 2007–08**	**Strategies to Achieve Target**
NSMFC client awareness of new financial products and features that may help municipal units	Percentage of municipal units that are satisfied with products being offered by the NSMFC:			• Communicate regularly with clients on the programs that the NSMFC is offering and developing through presentations at AMA regional meetings and conferences • Continue to develop web page • Make one-on-one calls to clients to offer advice and assistance
	Regional municipalities	100%	100%	
	Rural municipalities	75%	95%	
	Towns	89%	98%	
Improved products that respond to clients' needs	Effective programs directed at clients' needs	Request for program development: 1/3 long-term planning models 1/3 innovative financing 1/3 educational programs	Development of programs that meet clients' needs	• Survey clients to determine what types of educational programs and innovative financing they would like developed (2005–2006) • Research and develop new programs based on results (2006–2007) • Finish the roll-out of the Debt Affordabilty Model and provide technical support for municipal administrators • Analyse impact of new federal cost-sharing programs to determine if the NSMFC's programs are responsive (2005–2006 & 2006–2007)
Increased financial management knowledge in municipal units. Use of best practices and/or recommended practices in financial management decision making	Increased awareness of best practices for financial management, based primarily on GFOA programs	30% of clients are aware of knowledge building programs offered by the NSMFC	75% awareness level	• Communicate regularly with clients on the programs that the NSMFC is offering and developing through presentations at AMA regional meetings and conferences • Continue development of web page • Partner with the AMA on committees that develop financial management knowledge for municipalities
	Broader access to financial resources—efficient use of resources and building of networks among financial administrators	NSMFC website has been updated to provide information on the corporation	Post recom-mended best practices and benchmark data on the website	• Exposure to conferences that develop and promote best practices in financial management • Continue to offer financial assistance in sponsoring professional financial administrator attendance at the GFOA Conference on an annual basis • Participate actively in joint committees with the AMA

Crown Corporation
BUSINESS PLANS
FOR THE FISCAL YEAR 2006–2007

Nova Scotia Power Finance Corporation
Business Plan 2006–2007

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Mission

To ensure that the debt of NSPC, which is guaranteed by the province, is discharged in an orderly and timely manner.

Introduction

Under an Asset Transfer Agreement, dated August 10, 1992, Nova Scotia Power Corporation (NSPC) transferred all of its existing assets, liabilities, and equity, except for long-term debt and related sinking funds, to the privatized company Nova Scotia Power Inc. (NSPI), in exchange for matching notes receivables equivalent to outstanding long-term debt, matching notes payable equivalent to sinking fund assets, and an amount of fully paid common shares. The latter were sold in a secondary offering on August 12, 1992.

Subsequent to the reorganization and privatization, the business activities of NSPC continued under NSPI. Concurrently, the Nova Scotia Power Corporation changed its name to Nova Scotia Power Finance Corporation (NSPFC). NSPFC retained the long-term debt, which is guaranteed by the province and the related sinking funds. The entire original debt of $2,152,879,732, guaranteed by the province, was offset by sinking funds and the balance defeased as per the agreed schedule to December 31, 1997.

In terms of the Nova Scotia Power Reorganization (1998) Act, NSPI was reorganized as a holding company, NS Power Holdings Inc., in December 1998. The holding company structure does not change the underlying obligations under the existing agreements. The holding company changed its name to Emera Incorporated on July 10, 2000.

Planning Context

NSPFC continues to be on target of meeting its mission objective outlined above during the course of the current planning horizon.

Performance in 2005–2006

The outstanding debt continues to be defeased in accordance with the terms of the Defeasance Agreement, and the defeasance assets are adequate to ensure the repayment of all NSPC debt guaranteed by the province.

Strategic Goal

After December 31, 1997, to monitor the adequacy of the defeasance portfolio and to ensure the repayment of all NSPC debt guaranteed by the Province of Nova Scotia, at the respective debt maturities.

Core Business Area

NSPFC is responsible for monitoring the defeasance and repayment by NSPI of its debt guaranteed by the Province of Nova Scotia. NSPFC holds notes payable by the NSPI in case of default of NSPC debt repayment. The final guaranteed note matures February 26, 2031.

Priorities for 2006–2007

1. To ensure continuing progress towards elimination of NSPC debt guaranteed by the Province of Nova Scotia and defeased by NSPI.
2. To ensure the defeasance assets are of such a quality that the defeasance program will have a very high likelihood of achieving its goals.

Budget Context

NSPFC has no employees. NSPI executes necessary transactions to create and maintain the defeasance portfolio. The monitoring of NSPI debt defeasance is performed by a Board of Directors, appointed by the Government of Nova Scotia, with staff support from the Nova Scotia Department of Finance. The accounting firm of Deloitte & Touche certifies the defeasance assets arranged by NSPC.

Under the terms of the privatization agreements, NSPI is responsible for the payment of all NSPFC expenses.

Outcomes and Performance Measures

Outcome 1

Outcome

Entire outstanding debt is defeased in accordance with the Defeasance Agreement.

Measure

The Defeasance Agreement required the defeasance of a minimum of $1,381,600,000 of outstanding NSPC debt by December 31, 1997. This minimum has already been met and surpassed, $1,440,290,000 having been defeased by March 31, 1997.

Outcome 2

Outcome

Defeasance assets are adequate to ensure the repayment of all NSPC debt guaranteed by the province.

Measure

Outstanding debt as at 31 March 2005 was C$700,000,000 and US$ 300,000,000; defeased assets as at March 31, 2005 had the same principal amounts and market values of C$1,098,888,000 and US$422,027,943 thus rendering the guaranteed debt fully defeased. Adequacy of defeasance assets is certified by auditing firm of Deloitte & Touche.

Crown Corporation

BUSINESS PLANS

FOR THE FISCAL YEAR 2006–2007

Rockingham Terminal Incorporated

Business Plan 2006–2007

Planning Context

Rockingham Terminal Incorporated (RTI) was created as a special-purpose Crown corporation in December 1998 by an Order in Council. 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. In May 1999, Maersk/Sea-Land announced that they would pursue development of a facility elsewhere. RTI wound up operations and has been dormant since the end of the 1999–2000 fiscal year.

Priorities for 2006–2007

Since RTI remains unfunded and inactive, the plan for fiscal 2006–2007 is to wind up the company. Should future port development opportunities arise where an incorporated entity would be beneficial to the province, the province will incorporate such an entity at that time.

Crown Corporation
BUSINESS PLANS
FOR THE FISCAL YEAR 2006–2007

Sydney Environmental Resources Ltd
Sydney Steel Corporation
Business Plan 2006–2007

Contents

Mission

To safely clean up and redevelop the former steel plant site to a productive, self-sufficient business property, providing opportunities for future economic development.

Mandate

To provide technical and administrative support and other resources to support SYSCO's mission, as well as the work of other organizations on a contractual, as-needed basis.

Planning Context

SYSCO and SERL report to the Minister of Transportation and Public Works, Province of Nova Scotia, and maintain a head office at Sydney, Nova Scotia.

In 2004, SERL and SYSCO's management teams increased their co-operation and collaboration in achieving the mission of SYSCO. This work continued through 2005–2006, with the merging of many activities of the two organizations, with SERL assisting primarily with demolition activities. Now, that demolition is winding down, the support of SERL is also winding down. In the coming fiscal year, SYSCO will focus on the work of remediation and redevelopment of the site as a successful commercial park.

Currently, SYSCO's key activities include site cleanup, the sale of scrap steel and slag, and the redevelopment of the site as a commercial park. SERL works to support these initiatives with technical and administrative expertise and other resources.

Over the past several years, as SYSCO began its transition to a new future, the corporation's work has been guided by some key principles. These include strict attention to environmentally safe practices, a strong commitment to the health and safety of workers, a respect for the local community, adherence to fiscal responsibility and public accountability, the practical use of local labour and supplies, and a commitment to good working relations with labour.

As of the last fiscal year, demolition of the SYSCO site is complete. For the coming year, activities will focus on the continuing site cleanup and the development of the property as a commercial property.

In order to accomplish the overall mission, the corporation has established a management team and trained local labour, providing them with valuable experience for future opportunities.

Into the future, SYSCO will work in partnership with provincial government agencies and departments, as it plays a new role and provides management, operation, security, maintenance, and administrative services of the commercial enterprise, which has recently been branded as the Harbourside Commercial Park.

In 2006–2007 SYSCO will take another step forward in its efforts to clean up the former steel plant site and turn it into a thriving commercial property. Further, the process of winding up of SYSCO with the enactment of Section 6 of the Sydney Steel Corporation Sale Act will begin. This section is primarily intended to deal with potential lawsuits from companies who had business dealings with SYSCO when it was operating as a steel plant. This paves the way for the transition from an industrial site to a commercial park well into the future.

Strategic Goals

SYSCO's overall strategy is to advance the province's objectives with respect to decommissioning, remediation, and future use of the steel plant site. Overall, in these activities the underlying goal is to protect the province's interests and its fiscal position regarding the site.

More specifically SYSCO will:

- Continue to redevelop the SYSCO site into a premier commercial park and increase marketing of the commercial park, providing business and other opportunities to the communities of the Cape Breton Regional Municipality.
- Maintain sound health and safety policies and practices in order to minimize the potential risk of injury to workers, visitors, tenants, suppliers, and others who may visit the site.
- Continue marketing efforts for air-cooled blast furnace slag, scrap metal, and major equipment in order to maximize their financial return to the province.
- Continue to remediate land on the SYSCO site for future uses in an environmentally sound manner, meeting the province's obligations and strengthening relations with the local community.
- Maintain adequate security on site to prevent the loss of provincial property and site assets.
- Maintain use of local labour and supplies, when the proper training and feasibility exist.

Core Business Areas

The following are the five core business functions for the corporation.

Site redevelopment

The location of SYSCO is ideal for a commercial park and the corporation is focusing on initiatives to help develop the site as a premier commercial park. The corporation also continues to work on other future directions and opportunities for smaller areas of the site.

Site remediation

The corporation will continue to remediate the steel plant site in a safe and economical fashion. This work will be undertaken to address the province's environmental obligations and in the interests of longer-term community and economic development.

Sale of air-cooled blast furnace slag, scrap metal, and major equipment

The corporation is working to market and ultimately sell the remaining major equipment of SYSCO, market and sell any scrap metal that is harvested in the demolition process, and find markets for air-cooled blast furnace slag.

Health and safety and site security

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

Demolition

Demolition, which has been under way since June 2001, is now complete. The harvesting of scrap for resale is also wrapping up, and general surface cleanup of the site remains.

Priorities for 2006–2007

Site redevelopment

- Sign leases with two new tenants for the commercial park.
- Improve the front-end of SYSCO site with tenants and infrastructure that are attractive to the local community and business community
- Extend the SPAR road to open up Ferry Street
- Finish renovating and refurbishing buildings designated for use in the commercial park.
- Develop marketing pieces under the umbrella of an integrated marketing strategy to promote the commercial park.
- Completely redesign SYSCO's website as a sales tool promoting the commercial park and the assets for sale.

- Continue to assist the Whitney Pier Historical Society in their efforts to develop a walking trail adjacent to the SYSCO site by making resources and land available when required and within reason.

Site remediation

- Commence Phase IV/V remediation of north end of the site.
- Environmental management plan has been developed following CCME guidelines currently at NSDEL for assessment/approval.
- Phase III ESA in progress in the blast furnace area will commence in the spring.
- Phase II/III will be completed in the steel shop area
- Engage in the sixth and final phase of the ESA by 2009 for all areas of the site.
- Remove the remaining 700 metres of old oil and tar lines by spring 2006.

Sale of air-cooled blast furnace slag, scrap metal, and major equipment

- Harvest and sell remaining scrap metal, achieving sales of $6 million for the fiscal year under current market conditions.
- Arrange the sale of the incinerator.
- Sell a minimum of 100,000 tonnes of air-cooled blast furnace slag, moving into alternative-use markets for the product
- Cause all sold assets of the steel plant to be removed from the site.

Health and safety and site security

- Ensure that all policies and procedures are in place to maintain the lowest possible accident rate.
- Continue to hold "toolbox" meetings with area supervisors and staff at least weekly and document meetings.
- Continue to perform monthly health and safety inspections on work areas.
- Continue to hold monthly Health and Safety Committee meetings.
- Continue to maintain valuable, easily transportable, and readily transferable assets in a secure, central location so as to minimize the potential for loss.

Demolition

- Conclude any remaining demolition duties.
- Finish all surface site cleanup resulting from the demolition project.
- Use local labour and supplies when the proper skills, training, and feasibility exist.
- Complete the processing and sale of scrap metal by the end of 2006.

Performance in 2005–2006

The past fiscal year was a break-through year for SYSCO in many respects. Demolition wrapped up, clean up activities increased, infrastructure improvements continued, and new tenants have come on site.

Symbolic of the shift to a future grounded in commercial activity, efforts have begun to re-brand the site as Harbourside Commercial Park. Marketing and business development efforts will continue to increase in the coming fiscal years and years to follow.

This section outlines stated goals and corresponding results for each of SYSCO's six core business areas, as per SYSCO's 2005–2006 business plan.

Demolition

- **Stated Goal:** Have demolition of site complete by September 2005.

  Result: All demolition on site has been completed, and all buildings that were targeted for demolition are now down. Surface cleanup of the site continues, and the plan for environmental remediation continues to advance.

- **Stated Goal:** Use local labour and supplies when the proper skills, training, and feasibility exist.

  Result: The focus on using local labour and suppliers whenever it is possible and practical continues. More than 645,000 person hours of local labour (principally steelworkers) have been used, which is equal to 70 people working steadily for the past five years. SYSCO sourced approximately $5 million in local supplies and services for the past fiscal year.

- **Stated Goal:** Have scrap metal processed and ready for sale by December 2005.

  Result: Last year, approximately 15,000 tonnes of scrap steel was processed on site, with 1,500 tonnes remaining for processing in the current 2006 year.

Site redevelopment

- **Stated Goal:** Assist the Whitney Pier Historical Society in their efforts to develop a walking trail adjacent to the SYSCO site by making resources and land available when required and within reason.

  Result: The historical society has hired a full-time person through a program of Human Resources Development Canada to accomplish its goals. SYSCO continues to make resources and land available when required and within reason.

- **Stated Goal:** Finish renovating and refurbishing buildings designated for use in the commercial park.

  Result: Renovation and refurbishment of buildings is 80 per cent complete. SYSCO's management and administrative team have moved into a new office in the refurbished engineering building.

- **Stated Goal:** Open front end of SYSCO site to the public in 2006 and develop related infrastructure.

  Result: Work to open up the front end of the SYSCO site is well under way. Related infrastructure, including extending the SPAR road and constructing a sidewalk, is slated for the next fiscal year. Weather conditions (rain) were a deterrent in the fall of 2005 construction period.

- **Stated Goal:** Sign leases with two new tenants for the commercial park.

  Result: Leases with three tenants were signed and/or renewed in the last fiscal year.

- **Stated Goal:** Redevelop SYSCO website with its primary function to be a sales tool promoting the commercial park and the assets for sale.

  Result: The SYSCO website is transitioning to a more marketing and sales-related focus. The site now profiles the buildings and land available for lease with photos and specifications for prospective tenants.

- **Stated Goal:** Develop a marketing plan for the commercial park.

  Result: A new logo and name have been developed—Harbourside Commercial Park. A marketing presentation has also been finalized, and the marketing plan continues to evolve as the site evolves.

Environmental remediation

- **Stated Goal:** Have commenced Phase IV environmental site assessment (ESA) work on four areas of the site and have a Phase III ESA in progress on the remainder by the end of March 2006.

  Result: Due to the fact that Zoom Developers continues to occupy a sizable portion of the area slated for environmental assessment, the timeframe for completing this work has been pushed back. The larger steel-making equipment purchased by Zoom remains on this portion of the site, and Zoom is paying a monthly rental fee.

- **Stated Goal:** Engage in the sixth and final phase of the ESA by 2009 for all areas of the site.

  Result: Engagement of the sixth and final phase of the ESA remains on track for 2009.

- **Stated Goal:** Remove remaining 1 km of old oil and tar lines by November 2005.

Result: There were more oil and tar lines found than were indicated by site plans. This year we have removed 2 km of lines, with approximately 700 metres remaining.

- **Stated Goal:** Remove all remaining PCBs and asbestos from the site by September 2005.

  Result: All PCBs and asbestos has been removed from the site as of September 2005.

Sale of air-cooled blast furnace slag, scrap metal, and major equipment

- **Stated Goal:** Harvest and sell remaining scrap metal, achieving sales of $6 million under current market conditions.

  Result: Market conditions were not favourable for the sale of scrap this year. Work on harvesting and selling SYSCO's remaining scrap metal continues, and the target of $6 million is expected to be reached with a shipment slated to go out in the spring of 2006.

- **Stated Goal:** Sell remaining major equipment.

  Result: The only remaining asset for sale is SYSCO's incinerator. There has been interest in this asset. Efforts will continue to find a buyer.

- **Stated Goal:** Sell minimum of 100,000 tonnes of air-cooled blast furnace slag.

  Result: Approximately 60,000 tonnes of air-cooled blast furnace slag has been sold during the past fiscal year. Environmental concerns over the product, which impacted last year's sales, have been resolved with a positive environmental clearance report from engineering firm CBCL.

- **Stated Goal:** Remove all sold assets of the steel plant from the site.

  Result: Zoom Developers continues to occupy a sizable portion of the site for the larger steel-making equipment it has purchased from SYSCO. Zoom is now paying a monthly rental fee for this space. The deadline for removal is May 31, 2006, and SYSCO has taken a guarantee from Zoom for removal costs.

- **Stated Goal:** Complete the study of value-added alternative uses of slag and create an action plan by March 2006.

  Result: SYSCO has worked with Dalhousie University and the Nova Scotia Agricultural College to develop value-added products from air-cooled blast furnace slag production. The study of alternative uses has been completed and an action plan developed. An application has been submitted to the Nova Scotia Department of Environment and Labour for the use of slag fines to replace sands in septic beds.

Support other agencies and initiatives as required

- **Stated Goal:** Continually supply well-trained labour, on time and without interruption

  Result: Other agencies continue to be assisted with well-trained labour, most notably the Sydney Tar Ponds agency with security and cleanup obligations.

Health and safety and site security

- **Stated Goal:** Ensure that all employees have taken Occupational Health and Safety training sponsored by SYSCO by April 2005 (or provide verification that training has been previously obtained) or be ineligible to work.

  Result: All employees have taken Occupational Health and Safety training sponsored by SYSCO as of last April. Employees are ineligible to work without this training for workplace health and safety.

- **Stated Goal:** Hold "toolbox" meetings with area supervisors and staff at least weekly and document meetings.

  Result: "Toolbox" meetings occur on a weekly basis, and all meetings are well documented.

- **Stated Goal:** Perform monthly health and safety inspections on work areas.

  Result: Monthly health and safety inspection are now routine for all work areas.

- **Stated Goal:** Hold monthly Health and Safety Committee meetings.

  Result: Health and Safety Committee meetings are held on a monthly basis.

- **Stated Goal:** Maintain valuable, easily transportable, and readily transferable assets in a secure, central location so as to minimize the potential for loss.

  Result: Security has centralized the storage of valuable, easily transportable, and readily transferable assets in a secure location to minimize the potential for any losses and to maintain the province's interests.

Budget Context

Revenues	Estimate 2005–06 ($)	Forecast 2005–06 ($)	Estimate 2006–07 ($)
Revenue			
Scrap Sales	-	-	7,450,000
Rent	-	-	635,000
Other	8,849,000	1,983,000	408,000
Contribution from Province	20,690,000	7,338,000	12,300,000
	29,539,000	9,321,000	20,793,000
Expenses			
Payroll	1,575,000	1,502,000	1,102,000
Consulting	1,252,000	1,225,000	909,000
General and Administration	4,026,000	2,448,000	5,053,000
Security	730,000	635,000	384,000
Demolition and Environmental Remediation	14,714,000	3,663,000	9,295,000
Coke Ovens	300,000	-	-
TPW	200,000	-	-
Incinerator/Water Treatment	280,000	-	-
	23,077,000	9,473,000	16,743,000
Surplus (Deficit)	**6,462,000**	**(152,000)**	**4,050,000**

Crown Corporation
BUSINESS PLANS
FOR THE FISCAL YEAR 2006–2007

Trade Centre Limited
Business Plan 2006–2007

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Mission

To create economic impacts by bringing people together in Halifax and Nova Scotia.

Overview

The following document sets out Trade Centre Limited's (TCL's) 2006–2007 business plan. This year we continue to build on a solid planning process, taking steps to further develop measures and focus our priorities on responsible management of our finances, stakeholder and customer relationships, operational effectiveness, and employee learning and growth.

Based on its mission of creating economic impact by bringing people together in Halifax and Nova Scotia, TCL's strategic intent is to be the best events destination in North America by 2018. This plan supports the strategic direction established in 2003 and outlines the associated corporate priorities for the coming year.

This plan has a significant focus on our market positioning, identifying new revenue sources, managing costs, and continuing to fulfil our mandate as an economic driver. We plan to expand our traditional customer base by targeting new markets and creating new service offerings. The feasibility study for the expansion of the Convention Centre and construction of the new Metro Centre is expected in May 2006. This will allow us to build the business case for support and present it to our funding partners later in the year. A renewed focus on our venues is a priority for this year, with the renovations to the Convention Centre continuing through this year and assessments to determine the long-term viability and profitability of the Convention Centre, Exhibition Park, and the Maritime Fall Fair. None of these activities are possible without an ongoing investment in our people, and this plan is contingent on our commitment to build a culture of service excellence and leadership. This year we will take steps to initiate cultural change through focused employee training, coaching, and recognition.

Planning Context

In the fall of 2003, Trade Centre Limited underwent a strategic planning process that resulted in a renewed strategic vision and supporting plan, which were approved by the Board of Directors in December 2003. The plan is intended to position the organization for future growth by capitalizing on its cumulative experience and event successes in the business hospitality and entertainment industry. As part of the strategic plan, TCL set out the following three objectives that serve as a guide for annual business planning:

- Ensure sufficient capital and operating revenue needed to sustain existing infrastructure and operations and to take full advantage of growth opportunities.
- Achieve confirmation of stakeholder commitment to become "the best events destination in North America."
- Establish the infrastructure necessary to host major national and international events.

Based on TCL's mission of creating economic impacts by bringing people together in Halifax and Nova Scotia, TCL's strategic intent is to be the best events destination in North America by 2018. The above three objectives are aligned to support our mission and long-term strategic intent.

The value proposition of convention centres across the country is not that they are typically considered profit centres, but rather their real value is in the positive economic impact generated for their communities and provinces. TCL has a proud history of generating significant economic activity in the Halifax Regional Municipality (HRM) and the Province of Nova Scotia and will continue to do so in the coming year. We will continue to focus on attracting high-profile sporting and cultural events and, in addition, identify new opportunities by taking a more strategic approach to the national and international corporate and association markets.

Over the past two years, we have made considerable progress on a number of fronts. In 2005–2006, we were successful in securing support from our funding partners for renovating our existing Convention Centre and conducting a feasibility study for an expansion to the same facility, as well as construction of a new Metro Centre. These initiatives are integral to meeting our vision of "being the best events destination in North America." In an increasingly competitive event and conference market, TCL's success as an economic driver in HRM and the Province of Nova Scotia is dependent on world-class facilities. In addition, we provided leadership and expertise to the process that resulted in winning the Canadian bid for the 2014 Commonwealth Games. This event has the potential to thrust HRM and the province into a new level of event hosting. The economic impact of the above initiatives is tremendous. While we are in the early stages of realizing this potential, we have made significant strides in this direction over the past year.

As a successful Nova Scotia Crown corporation, we will continue to work towards profitability and economic return. Presently, we find ourselves at a crossroads where our opportunities for growth require investment in our aging facilities, equipment maintenance, labour, and marketing. We will work with our shareholder, the Province of Nova Scotia, in the development of an investment strategy for Trade Centre Limited. However, we are focused on expanding our customer base, managing costs, and increasing efficiencies in all of our operations so that we will meet objectives and mitigate unforeseen risks as much as possible.

Internally we have been working to build a strong management and leadership team within each of our business units. Shifting responsibilities and roles have created a dynamic organizational structure with both challenges and opportunities from a human resources perspective. Role and responsibility clarification are paramount within most units of TCL. We have little turnover in our key positions, which provides us with a stable and experienced workforce, yet we need to be cognizant of our ability to support growth and expansion, as many of our employees become eligible for retirement within the next 5–10 years. Managing within a newly unionized workplace has also created challenges and opportunities as the roll-out of our very first collective agreement is under way.

The economy continues to be strong in Halifax and nationally; however, we are seeing weaknesses occurring in some of our client sectors such as the automotive industry. The Canadian dollar continues to be strong against the American dollar; this may diminish the appeal of Canada and Halifax as a meeting venue outside of the United States. TCL will need to better utilize existing resources to strengthen our strategic partnerships to promote the value of Halifax as an events destination to targeted international markets.

Other major progress over the past year included launching Ticket Atlantic, which has the potential to expand TCL's reach well beyond its traditional customer base; securing the CFL Exhibition Game, which attracted a whole new audience to TCL's already impressive list of patrons; and taking a leadership position with the local industry to reposition TCL as the key driver of convention and public shows business for Halifax and Nova Scotia, thus generating future market growth and opportunities.

It is within this context that we approach 2006–2007. Our potential to change the landscape of the event and conference market in HRM and the Province of Nova Scotia is immense.

Priorities for 2006–2007

The corporate priorities have been organized into four distinct sections:

- Financial
- Customer/Stakeholders
- Operations
- People and Learning

Within each of these sections, TCL has identified a number of priorities and their respective measures and targets. Initiatives to support these priorities are detailed under each of the individual business and corporate unit plans.

Financial Priorities

1. **Reposition TCL for growth.** We will work towards growth, profitability, and economic return. We are focused on cost management and expanding our customer base by aggressively pursuing national and international markets. The returns will not be immediate, as Halifax/TCL needs to rebuild its profile. For the coming fiscal year, we will develop short- and long-term marketing and sales plans targeted at these markets. Opportunities for growth will require investment in our aging facilities, equipment maintenance/safety, people, and marketing. In 2006–2007, this will necessitate TCL to propose a new investment strategy to the Province of Nova Scotia so that we can maximize future growth and economic return.
2. **Fulfil our mandate as a community economic driver.** We will measure our success by the number of major events we win. Our targets for this year include submitting 10 bids, of which we would expect to secure 5 for HRM and the Province of Nova Scotia.

Stakeholder/Customer Priorities

1. **Expand our customer base. We will do this primarily in two areas by**

- targeting national and international meeting and convention events to realize 3 international and 10 national opportunities. As indicated above, the returns on these priorities are long term.
- extending our partnerships to supply ticketing services through Ticket Atlantic. We expect to increase the number of new Atlantic Superstore outlets from 15 to 18, add three new outdoor festivals, and secure at least one new facility partnership.

2. **Enhance existing service offerings.**

- We will continue to promote and evolve our online ticket purchasing and on-site printing capabilities with a target of selling 60 per cent of concert tickets online and 15 per cent of Mooseheads tickets.
- Increase our trade missions from 8 to 14 in the WTCAC by working closely with our federal and provincial partners.

3. **Formalize our approach to measuring stakeholder and customer satisfaction and establish benchmark satisfaction ratings.** We will standardize our approach across the organization. We plan to measure support from our broad customer and stakeholder base with a target to establish an overall satisfaction rating.

Operations

1. **Build a business case for expansion of the Convention Centre and construction of the new Metro Centre.** The Feasibility Study report expected in May 2006 will form the foundation for a business case. We will present the case to our industry partners and stakeholders to secure their support for expansion of the Convention Centre and construction of the New Metro Centre by the end of the fourth quarter. This will form part of the final business case and recommendation prepared for government.

2. **Continue to carry out renovations in the Convention Centre.** This work will be carried out over the next three-year period as a result of receiving funding from our government partners. Based on our plan for 2006, we will complete another 11 of the 34 capital projects this year. The projects will be scheduled to ensure that we do not inconvenience our customers and to minimize any loss of revenue.

3. **Determine long-term business focus for the Convention Centre, Exhibition Park, and the Maritime Fall Fair.** We will carry out market, operational/facility assessments for these three business units. The results of these assessments will assist us in determining the long-term viability and profitability potential for each. We expect to have this work completed by the end of 2006–2007.

People and Learning

1. **Build a culture of service excellence and leadership through development of a targeted HR strategy.** In 2006–2007, this will be accomplished through the following initiatives:

- Develop leadership competency through offering education and learning opportunities to supervisors and managers focused on recognition, coaching, customer service, and safety. A marked improvement should be achieved on the annual employee survey for “satisfaction with supervisor” and within two years lead to at least a 5 per cent positive change.

- Continue development of our performance management framework, education, and practice with the goal of providing every core hourly and salaried employee with an annual formal performance feedback opportunity with their direct supervisor. This should result in a 5 per cent rating improvement on the annual employee survey for "feedback on job performance."
- Develop a Diversity Model for Trade Centre Limited through piloting a new diversity program with an internal business unit partner. Outcomes from the pilot will result in the establishment of a TCL best practices guideline and a plan for roll-out to every TCL unit in the fourth quarter of 2006–2007.

Budget Context

For the year ended March 31

	Estimate 2005–06 ($)	Forecast 2005–06 ($)	Estimate 2006–07 ($)
Revenues	$ 11,387,181	$ 10,352,782	$ 10,985,890
Expenses			
Event operations	4,510,496	4,180,887	4,221,616
Salaries and benefits	2,735,841	2,768,192	2,811,645
General operations	3,108,442	3,061,307	3,201,075
Taxes and insurance	1,052,402	1,030,393	1,025,000
	11,407,181	11,040,779	11,259,336
Income (loss) before other items	**(20,000)**	**(687,997)**	**(273,446)**
Other income	20,000	22,000	20,000
Income (loss) before depreciation	**$ 0**	**$ (665,997)**	**$ (253,446)**
Depreciation	1,650,000	1,519,648	1,650,000
Income (loss) for the year	**$(1,650,000)**	**$(2,185,645)**	**$(1,903,446)**

Note: Revenues and expenditures for the Halifax Metro Centre are not reflected in this budget. Halifax Metro Centre is a facility owned by the Halifax Regional Municipality and operated by Trade Centre Limited under a management agreement. All operating deficits or surpluses accrue to the municipality, and all capital improvements are funded by the municipality. Forecasts for 2005–2006 are as time of preparation.

Outcomes and Performance Measures

Core Business Area 1 *Financial and Economic Priorities*

Outcome	Measures	Data: Base Year 2005–2006	Targets 2006–2007	Strategies to Achieve Target
Begin to position TCL for future growth and positive economic impact.	Contribution margin-TCL intends to maximize its revenues and manage costs in order to minimize the ongoing requirements for a provincial grant	• Year end operating forecast ($665,997) loss before depreciation • N/A	• Minimize loss to an operating deficit of ($253,446) • Positive economic impact • Presentation of a proposed investment strategy to Province of Nova Scotia before year-end	• Maximizing business opportunity—target corporate and association markets, nationally and internationally • Economic Impact Program • Cost-containment reviews and aligning recognition to support cost reduction • Open tax discussions
Fulfil mandate to be an economic engine for HRM and Nova Scotia	Secure high profile events with high economic impact	• Submitted 9 bids • Won 4 bids	• Submit 10 bids • Win 5 bids	• Launch and resource the new Events Halifax organization • Establish an Advisory Board

Core Business Area 2 *Customer/Stakeholder Priorities*

Outcome	Measures	Data: Base Year 2005–2006	Targets 2006–2007	Strategies to Achieve Target
Expanded customer base for TCL	New opportunities	• 25 corporate contracts for future business • 1 international contract for future business	• 10 additional • 3 international	• Marketing and sales plans targeting corporate and association markets, nationally and internationally
	New partnerships to supply ticketing services	• 15 Atlantic Superstore outlets • 1 outdoor festival • There were no facility partnerships	• Increase Atlantic Superstore outlets to 18 • Add 3 major outdoor festivals • Develop 1 new facility partnership	• Marketing and business development plan
New and improved customer services	WTCAC: • # of trade missions	• 8 trade missions • 6 services	• 14 trade missions • 2 new services	• Work with ACOA and NSBI to increase the number of trade missions • Solicit customer feedback to develop new services
	Ticket Atlantic: • online purchasing and on-site printing	• 45% concert tickets • 8% Mooseheads tickets	• 60% concert tickets • 15% Mooseheads tickets	• Marketing and Sales Plans
Consistent method of measuring stakeholder and customer satisfaction and securing feedback Establish rating benchmarks	• Overall stakeholder and customer satisfaction	• No base data	• TCL Model established • Benchmark overall satisfaction rating and establish future targets	• Development of a survey tool and methodology

Core Business Area 3 *Operational Priorities*

Outcome	Measures	Data: Base Year 2005–2006	Targets 2006–2007	Strategies to Achieve Target
Strong business case with industry support and recommendation to government	• Business case • Letters of support	• No base data	• Recommendation presented to government • Written letters of support- HANS, Destination Halifax, Airport Authority	• Business case based on outcomes of the feasibility study • Presentation program to stakeholders
Renovations to the Convention Centre completed by end of 2008	• Project completion on time and on budget	• 4 projects completed within budget of $801,000	• By fiscal year end, 11of 34 capital projects completed within a $3.4 million budget	• Overall renovation plan • Tenders for each of the projects
Strategic focus for Exhibition Park, WTCC, and the Maritime Fall Fair to determine long-term viability and profitability potential	• Completion of operational, marketing, and facility assessments	• No base data	• Fourth quarter	• Operational/facility and marketing assessments for all 3 venues • Facility assessment for Exhibition Park

Core Business Area 4 *People and Learning Priorities*

Outcome	Measures	Data: Base Year 2005–2006	Targets 2006–2007	Strategies to Achieve Target
Improved leadership competency	• Score on satisfaction with Supervisor	• Satisfaction with supervisor: 68%	• Positive change in 2007 reaching 5% in 2008	• Leadership development plan • Training in recognition, coaching, and customer service
Improved performance management process and improved feedback to employees.	• Adherence to annual process • Feedback on job performance survey score	• 44% of performance appraisals submitted for salaried (core-hourly no base data) • Feedback on job performance: 48.1%	• 100% completed • Survey score: 5% increase	• Performance management framework
Development of a diversity model for TCL	• Completion of the model	• No base data	• TCL best practice guidelines and roll-out plan in fourth quarter	• A diversity pilot program in one TCL business unit

Crown Corporation
B U S I N E S S   P L A N S
FOR THE FISCAL YEAR 2006–2007

Waterfront Development Corporation Limited
Business Plan 2006–2007

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Mission

To serve as champion of a dynamic vision and to plan, coordinate, promote and develop properties, events and activities on designated waterfronts within Halifax Harbour.

Introduction

For more than 30 years the Waterfront Development Corporation Limited (WDCL) has brought the community to the waterfront and the waterfront to the community. The 2006 Business Plan outlines how the corporation will continue to move forward to ensure the best use of the waterfronts surrounding the Halifax Harbour and other designated areas.

Through local, national, and international events, the Halifax waterfront has become a tourism destination. Coupled with the economic impact of a working waterfront, WDCL plays a lead role in bringing millions of dollars into the province annually. In 2005, WDCL introduced the Halifax Harbour Festival, a community celebration that took place at four venues along the harbour. In 2006 and into the future, WDCL will be coordinating events that will positively impact the province in terms of attracting tourists, expanding our profile as a destination province nationally and internationally, and providing quality, family entertainment to Nova Scotians and our visitors.

WDCL is expanding the public trail system in Dartmouth, and by the end of 2006, this trail will be passable from Cuisack Street through to the Alderney Ferry Terminal. Additionally, the continued expansion of Bedford waterfront is under way, working towards the completion of Phase II.

WDCL works with public- and private-sector partners to develop the Halifax Harbour waterfronts into year-round attractions, meeting places, and places to live and do business. Some of the larger projects that are currently being explored include the Queen's Landing project, which will see the expansion of the Maritime Museum of the Atlantic and the preservation of the HMCS *Sackville* with a mix of public and private development on 7.7 hectares of land from Cable Wharf to Sackville Landing.

Another development currently proceeding through the development process is the Salter Street Block development. This new development just north of Bishop's Landing will include mixed uses for retail, residential, and commercial tenants as well as adding significantly to the public open space on the waterfront and completing the final section of Halifax Harbourwalk.

Last year, WDCL also worked with the province and the Lunenburg Waterfront Association to purchase Clearwater Seafood properties on the Lunenburg waterfront to ensure that UNESCO World

Heritage designation was maintained and protected.

Planning Context

Mandate

Waterfront Development Corporation Limited is a Crown corporation established in 1976 to revitalize the waterfronts of Bedford, Dartmouth, and Halifax. Its current mandate includes the following:

- property acquisition, management and development within designated areas in Bedford, Dartmouth, and Halifax
- marketing and promotion designed to attract public use of the waterfronts
- coordination and planning of the waterfronts of Bedford, Dartmouth, and Halifax including championing assets owned by the province throughout the entire harbour
- overseeing provincial interest in the industrial development of the harbour through coordinating best use of provincial land

As well, overseeing the transition of provincially owned land in Lunenburg to community-based management is a new addition to the corporation's mandate, which will require specific attention and action.

Organizational Structure

The corporation has a staff of 17. Nine are involved in planning, development, and administration, and 8 in maintenance and parking operations.

Financial

The corporation's ordinary revenues of $3,176,000 in the year ended March 2005 are derived primarily from building and ground leases ($1,163,000) and parking lot operations ($1,792,000). Expenses (operating, program, and administration) were $2,778,951, yielding net increases of $397,049.

Operating expenses for the Lunenburg waterfront properties are included in the corporation's budget, together with offsetting support to be received from the province until such time as the assets are transferred to a community organization. The corporation's mandate has been expanded, and some funds have been allocated to undertake planning for additional responsibilities.

The corporation's loans and funds balance at the end of the fiscal 2005–2006 will be $8,420,000. Capital projects to fulfil the 2006–2007 Business Plan in fiscal 2006–2007 will generate a loan balance for 2006–2007 of $ 10,049,000[1] The corporation has a loan

[Footnote 1. This loan balance is based on a calculation of non-segregated funds related primarily to Bedford Infill and the Infrastructure Renewal Fund.]

guarantee from the province of $14,500,000 and a facility for borrowing an additional $3,600,000 secured by a negative pledge. Proposed capital expenditures for future years forecast loan balances of $15,361,000 and $16,695,000 for 2007–2008 and 2008–2009 respectively.

The financial health of the corporation is largely dependent on revenue sources from parking fees and tenant rents. A portion of the rents from tenants are subject to economic and market conditions. Should there be a regional economic downturn, revenue sources and the funds from private-sector partnerships could be reduced. The provincial government guarantee allows an interest rate 1 per cent below prime on the corporation's line of credit. Revenue has remained basically steady, and net earnings have been applied to infrastructure fund debt reduction and capital improvements. In order to maintain an aggressive and proactive economic development strategy, funds have been targeted for specific projects.

The corporation continues to seek ways to increase its revenue generation capability, particularly on the Halifax waterfront where visitor attraction and special event opportunities are high. Major events, such as the newly instituted Halifax Harbour Festival and future Tall Ships events, are planned to be financially self-supporting; however, there are risks (economic conditions, weather, etc.) associated with any event that depends on public attendance.

Two major redevelopment projects on the Halifax waterfront are expected to be under way simultaneously; this will create cash flow problems during construction and challenges in the future due to dedication of land to public space. Revenue will be reduced during the transition from parking lots to development sites during the construction period. Every effort is being made to maintain a revenue stream, following development, which will sustain the corporation's activities and financial health; however, future investment by the province may be required to maintain the overall program.

The development projects anticipated in this plan will generate more than $200 million in private investment and significant long-term economic benefits to the province and Halifax Regional Municipality.

However, the corporation has found that revenue from parking is generally higher than that available from developments. Hence, achieving a mix of private and public uses leads to decreasing revenue and increasing operations cost as a result of new and improved public facilities and open spaces to maintain. As well, the policy to retain ownership of waterfront land results in land leases, hence the rent for the land for development is extended over the term of long-term leases, reducing the corporation's access to capital.

With the previously mentioned two major developments being planned, the corporation will face reductions in its parking revenue and increased capital expenditures. The timing of this financial challenge depends on when the developments proceed, but the impact will begin to be felt in this fiscal year and more so in fiscal 2007–2008. The corporation in this fiscal year will be developing a debt-management strategy, jointly with our shareholder, to respond to these challenges.

Designated Waterfront Areas

The corporation's primary activities take place within the three designated waterfront areas of Bedford, Dartmouth, and Halifax. In addition to the mandated areas on Halifax Harbour, the corporation also owns and manages, on an interim basis, land on Lunenburg Harbour. In all of these areas the corporation works closely with the municipalities and stakeholders to achieve viable plans for best use in terms of private and public developments and programs.

Halifax

The corporation continues dialogue with HRM staff regarding appropriate revisions to policy for the Halifax waterfront area; however, to date, an agreement on how to proceed has not been achieved. The corporation will continue to explore options for updating the planning policy for the area that are consistent with the corporation's mandate and ensure that provincial interests in the development of the Halifax waterfront areas are fulfilled.

A major project is the preparation of a feasibility assessment for an expansion of the Maritime Museum of the Atlantic and associated private development in the Queen's Landing project. Subject to the acceptance of the Feasibility Study, this project will require commitments of capital dollars from the provincial and federal governments and the private sector in later years. Similarly, the Salter Block development will proceed through the planning approval process and could be under way in early 2007.

Dartmouth

The Dartmouth Harbourwalk concept plan continues to be implemented in phases. WDCL has completed design work for the trail from Old Ferry Road to the Shubenacadie Canal. Applications for grade-level crossings have been submitted to CN, and approvals are expected in early 2006. A construction agreement for section C of the trail has been reached for the 2006 construction season. The completion of the overall project is dependent on municipal contributions and completion of section B of the system.

The corporation will be undertaking some conceptual planning and public consultation process for the corporation land in Dartmouth in 2006.

Bedford

The Bedford Waterfront Infill Project-the creation of additional land for public use and development—continues. The Bedford infill site provides a much needed environmentally sound disposal site for pyretic slate for the region. The rate of slate receipt has continued at lower levels than in previous years. This variable extends the forecast for a completion date for the process.

The completion of development of Phase I lands is delayed pending the result of a lawsuit with Provident Development. The corporation is pursuing with HRM a municipal planning strategy amendment process for the Phase II lands, the timing of which currently depends on the Fast Ferry Study initiated by HRM. Also, investment will be made in additional public marina recreational infrastructure for the 2006 boating season.

Events and Festivals

The corporation is embarking on an ambitious program of events and festivals. This year will be the second annual Halifax Harbour Festival, which celebrates all aspects of the harbour with venues in Bedford, Halifax, Dartmouth, and Eastern Passage, as well as marine activities on the harbour itself.

In 2005, the corporation, in association with HRM, Department of Tourism, Culture and Heritage, and ACOA, undertook a business plan of tall ships events in Nova Scotia. This business plan will provide the foundation for creating future tall ships events as signature events for Nova Scotia. Planned tall ships events include 2007 and 2009 with opportunities extending through to 2020.

Lunenburg

In September 2005, the corporation acquired, on an interim basis, major portions of the Lunenburg waterfront, which had been put on the market by Clearwater Seafoods. The acquisition was a result of strong local interest in maintaining the working character of the waterfront and the desire of the province to assist in protecting this resource, which is a key part of the Lunenburg Old Town UNESCO World Heritage Site. Strong co-operation among the Lunenburg Waterfront Association, the Office of Economic Development, the Town of Lunenburg, and the corporation has resulted in the establishment of a steering committee, which will guide the future development of the waterfront by providing guidance on the development of a business plan. In the meantime, the corporation is providing property management for the extensive holding of land, buildings, and wharves. The intent of all parties is for ownership and control of the assets to be turned over to the local community when a suitable business plan has been established. The Office of Economic Development is providing funds for the business planning process, as well as, operating expenses required to maintain the properties.

Strategic Goals

The corporation's strategic goals are to provide infrastructure, opportunities, and support for further public and private investment that will enhance the capital region as a place to live, do business, invest, and visit. By enhancing the quality of the waterfronts for residents and visitors, the corporation creates the opportunity for continuing economic growth by creating increased leisure traffic, meeting and convention activity, and additional residential, institutional, and commercial development. An emphasis is placed on quality development and programs that will make all Nova Scotians proud of their capital region and province and encourage people to visit Nova Scotia.

In addition, a strategy for overseeing provincial interest in port industrial development throughout Halifax Harbour and an interim engagement in overseeing the transition of provincially owned land in Lunenburg to community-based management are new additions to the corporation's mandate, which will require specific attention and action.

Core Business Areas

1. Coordination and planning of best use development of Halifax Harbour waterfront lands
2. Management of waterfront property in Bedford, Dartmouth, Halifax, and, on an interim basis, in Lunenburg
3. Promotion of the Halifax waterfronts as centres of year-round activity and interest for Nova Scotians and visitors

Priorities for 2006–2007

1. Coordination and Planning of Best Use Development

- Carry out strategic acquisition/ disposition of assets essential for realization of waterfront plans.
- Create new land for public space and development through infilling of water lots.
- Obtain development approval of land at the foot of and to the south of Salter Street in Halifax to achieve additional public space and private-sector development opportunities.
- Complete Feasibility Plan for the Queen's Landing Project.

- Negotiate a partnership with the private-sector land and water lot owner adjacent to Phase II in Bedford to achieve access and a joint development opportunity.
- Resolve lawsuit with developer of Site 3.2 in Phase I in Bedford.
- Improve public facilities in all waterfront areas, in particular, trails, washrooms, and public spaces.
- Develop Phase II of Dartmouth Harbourwalk.
- Finalize redevelopment plans for the Cable Wharf, Cable Wharf Plaza, and the Nova Scotia Crystal Building.
- Continue to seek ways and means for redevelopment and access to George's and McNab's Islands.
- Assess alternatives and develop a plan for Bedford Phase II, potentially including a fast ferry concept in partnership with HRM.
- Provide a leadership role in coordinating provincial interest in lands on Halifax Harbour via the Deputy Minister's Committee on Port Development and Land Use.
- Resolve title issues associated with certain water lots claimed by the Halifax Port Authority.
- Champion and coordinate with HRM on waterfront park and trail development along the Dartmouth waterfront, from the MacDonald Bridge to Woodside Ferry Terminal, and seek public- and private-sector funding support.

2. *Management of waterfront property in Bedford, Dartmouth, and Halifax*

- Generate revenue for operating and capital expenditures.
- Increase opportunities for use of waterfront by the boating public.
- Maintain properties and public spaces to a high standard and use best practices.
- Improve occupational health and safety practices.

3. *Promotion (public relations) of the Halifax Harbour waterfronts as centres of year-round activity and interest for Nova Scotians and visitors.*

- Engage waterfront stakeholders to develop a waterfront marketing strategy.
- Profile WDCL's transformation of the Halifax Harbour waterfronts over the last 30 years—30th anniversary.
- Provide relevant timely information on waterfront activities to Nova Scotians and our visitors.
- Relaunch the Visiting Ships program for tall ship activities in non tall ship years.

- Work with waterfront stakeholders and partners to form a waterfront marketing group to address year-round retail and service opportunities.
- Commitment to Tall Ships 2007, 2009 and the Halifax Harbour Festival 2006, 2007.
- Provide support to annual waterfront festivals and events such as SummerFest Canada Day celebrations, International Buskers Festival, Halifax-Dartmouth Natal Day, Bedford Days, alFestcofilmFesto, Nova Scotia Designer Craft Council Show of Hands Summer Craft Festival, and NBA Hoop it Up Competition.

Budget Context

	Actual 2004–05[2] ($)	Estimate 2005–06 ($)	Forecast 2005–06 ($)	Estimate 2006–07 ($)
Revenue				
Rents	1,163,000	1,126,086	1,168,925	1,039,511
Parking	1,792,000	1,813,700	1,928,568	1,966,000
Events	-	20,000	-	20,000
Recoveries and other income	18,000	9,200	31,208	61,241
Wharfage	82,000	88,600	68,297	52,732
Miscellaneous income	9,000	4,500	35,535	3,600
Grant revenue	112,000	112,500	112,444	178,400
	3,176,000	**3,174,586**	**3,344,977**	**3,321,484**
Operating Expenses				
Property taxes	22,000	42,000	20,078	24,000
Operating	731,400	675,000	727,605	785,000
	753,400	**717,000**	**747,683**	**809,000**
Income from Property	2,422,600	2,457,586	2,597,294	2,512,484
Program Expenses	538,700	235,000	110,376	228,500
Lunenburg revenue	-	-	30,902	137,000
Lunenburg grant	-	-	178,671	706,200
Lunenburg expenses	-	-	209,573	843,200
	0	0	0	0
Administration Expenses				
Advertising/events	48,000	115,500	46,863	88,500
Audit	15,000	14,500	18,455	18,500
Bad debts	-	-	8,025	12,000
Consultants	40,000	13,177	19,479	20,000
Depreciation and amortization	386,000	390,000	390,232	390,000
Directors	66,000	60,000	69,177	70,000
Legal	32,300	40,000	87,391	45,000
Office operations	71,600	80,000	85,128	82,000
Professional development	-	-	-	5,000
Salaries and contracts	472,000	440,000	428,628	551,000
Staff expenses and benefits	86,000	90,862	77,262	98,000
Interest on long-term debt	179,000	220,963	207,435	216,000
	1,395,900	1,465,602	1,438,075	1,596,000
Income (loss) before Other	488,000	756,984	1,048,843	687,984
Infrastructure Fund net income	(90,951)	-	66,000	99,000
Harbour Festival	-	-	(117,157)	(30,000)
Net Income (loss)	397,049	756,984	997,686	756,984

Prime rate 5.25%

[Footnote 2. Excludes net effect of Tall Ships 2004. The 2006-2007 budget includes several additional line items to facilitate better understanding of the operations. This does not represent new spending (other than Lunenburg), but rather, breaking out some previously netted items.]

Budgeted Cash Flow

	2006–07
Net operating and Infrastructure income (loss) before transfers	757,000
Add: depreciation	390,000
Tall Ships expenditures for 2007	(100,000)
Cash Flow from Operations	1,047,000
Bedford Infill operation net cash inflow	160,000
Capital Grant from Province of NS	506,000
Capital Budget	(2,925,500)
Total Budgeted Cash Flow Requirements	(1,212,500)
Cash Flow Requirements (rounded)	(1,200,000)
Credit Facility	
Expected Beginning Loan Payable	2,800,000
Add: budgeted cash needs	1,200,000
Expected Ending Loan Payable	4,000,000
Add in:Bedford Infill	2,245,000
Special Events & Festivals Fund	102,000
Infrastructure Renewal Fund	2,607,000
Loan balance if funds were segregated or costs were incurred.[3]	8,954,000
Office of Economic Development loan	1,095,000
	10,049,000

[Footnote 3. The corporation has a loan guarantee from the province of $14,500,000 and a facility for borrowing an additional $3,600,000 secured by a negative pledge.]

Outcomes and Performance Measures

Outcome	Indicator	Measure	Base Year Measure	Target 2006–07	Target 2006–08	Strategies to Achieve Target
Negotiate lease for Salter Block	Lease of property	Percentage leased	1.3 ha (3.3 acres)	100%	N/A	Support development agreement application
Acquire land in Dartmouth Cove	Deed for property	N/A	N/A	Aprox. .4 ha (1 acre)	0	Negotiation of purchase and sale
New land for public use/development in Bedford Phase II	Hectares (acres) of land	Hectares (acres) created	4.86 (12)	5.26 (13)	5.67 (14)	Receiving pyritic slate as infill
Public/private development on Salter Street Block	Leasing of land	Percentage of land leased	1.3 ha (3.3 acres)	100%	N/A	Planning and development approval by HRM
Implement Harbour Vision/Plan	Adoption of Vision/Plan	Support from public and other governments	Agreement to develop vision/plan	Adoption of vision/plan		Work cooperatively with HRM and other governments
Plan for Bedford Phase II	Public support	Adoption of Plan	1990s plan	N/A	Draft Plan	Hire consultants and public consultation
Feasibility study of public/private development on Queens Landing	Approval of feasibility study and commitment to develop agreement/ lease	Land leased	N/A	N/A	N/A	Seek approval to move forward with development and enter into public private partnership agreement
Resolve legal actions in Phase I Bedford	Effect on budget	Cost of settlement	N/A	N/A	N/A	Negotiation/arbitration

Outcome	Indicator	Measure	Base Year Measure	Target 2005–06	Target 2006–07	Strategies to Achieve Target
Construct public facility on Halifax Waterfront	Partnership with Rotary	N/A	N/A	Construction	N/A	Partnership with Rotary
Improvement to public facilities	Visitor satisfaction	Increase in visitation	1,011,000 (2001)	3% increase	6% increase	Invest in new public infrastructure
Clear title on certain water lots	Agreement with HPA	Title to water lots	N/A	N/A	N/A	Negotiate with HPA
Public access to waterfront in Dartmouth	Visitor satisfaction	Lineal km of trail	1 km	1 km	3 km	Completion of trail in partnership with HRM
George's Island open to public	Federal priority	Phased construction	N/A	N/A	N/A	Seek to have federal priority
Coordination of provincial interest	Coordinated development	N/A	N/A	N/A		Deputy Minister's committee and staff working group
Coordinate approach to provincial waterfront land	Provincial policy	Support for projects and programs	N/A	N/A		Continued work of Deputy Minister's Committee and staff working group
Public and private sector support for trail in Dartmouth	Sponsorship/ partnership funds	Contributions				

Outcome	Indicator	Measure	Base Year Measure	Target 2005–06	Target 2006–07	Strategies to Achieve Target
Continue to grow revenues from existing properties[3]	Gross revenue	Percentage increase	$3,000,000	1%	2%	Increase efficiency and control expenses, increase occupancy
Increased usage of berthing facilities	Revenue	Percentage increase	$50,000	3%	6%	Advertising, improvement to facilities
Increase berthing opportunities	Berthing spaces available	Number of new berths	10	30	20	Establish new marina facilities with public and private funds
Marina in Bedford	Feasibility assessment	Economically viable	12 slips	N/A	N/A	Determine feasibility
Maintain value of assets	Annual maintenance cost	Change in maintenance cost				Repair and maintenance planning
Improved health and safety program	Establishment of comprehensive plan	Plan adopted, management and board committed				Continued work with consultant, implement program
Promote year-round marketing of the waterfront	Visitor satisfaction	Increase in visitors	N/A	N/A	N/A	Develop waterfront marketing group

[Footnote 3. While revenue projections are proposed to increase because approximately 63 per cent of revenue comes from temporary parking lots, there will be fluctuations in revenue as sites are developed and revenue is transformed from parking to more permanent uses. Additionally there has been a gradual diminishing of parking revenue through decreased demand and competition.]

Outcome	Indicator	Measure	Base Year Measure	Target 2005–06	Target 2006–07	Strategies to Achieve Target
Profile 30 year waterfront transformation	Public awareness of WDCL contributions to waterfront	Increase in awareness	N/A	N/A	N/A	Work with media for profile opportunities
Provide timely, relevant information to visitors	Visitor satisfaction	Increase in awareness/ accuracy of waterfront ownership	N/A	N/A	N/A	Focused on media relations
Visiting ships	Number of ships	Increased number of ships	N/A	N/A	N/A	Ship recruitment strategy
Events	Resident and visitor satisfaction	Increased visits to waterfronts	N/A	N/A	N/A	Program waterfront activities
Program waterfront activity	Resident and visitor satisfaction	Increased visits to waterfronts	N/A	N/A	N/A	Ensure events remain accessible to public
Co-operative partnerships for events	Successful events	Visitor increases	1,011,000 (2001)	3% increase	6% increase	Co-operative partnerships and sponsorships of events