

HANSARD

NOVA SCOTIA HOUSE OF ASSEMBLY

COMMITTEE

ON

ECONOMIC DEVELOPMENT

Tuesday, October 16, 2012

COMMITTEE ROOM 1

Small Business Financing – Loan Guarantee Program

Printed and Published by Nova Scotia Hansard Reporting Services

ECONOMIC DEVELOPMENT COMMITTEE

Ms. Pam Birdsall (Chairman)
Ms. Vicki Conrad
Mr. Clarrie MacKinnon
Mr. Brian Skabar
Ms. Lenore Zann
Hon. Keith Colwell
Mr. Geoff MacLellan
Mr. Chuck Porter
Mr. Eddie Orrell

[Ms. Vicki Conrad was replaced by Mr. Howard Epstein.]
[Mr. Brian Skabar was replaced by Hon. William Estabrooks.]

In Attendance:

Ms. Jana Hodgson
Legislative Committee Clerk

WITNESSES

Nova Scotia Co-operative Council

Ms. Dianne Kelderman - President and CEO
Mr. Ken MacKinnon - Chair, Board of Directors
Mr. Alvin Hubley - Vice-Chair, Board of Directors

Department of Economic and Rural Development and Tourism

Mr. Simon d'Entremont - Deputy Minister
Ms. Lilani Kumaranayake - Executive Director, Policy and Planning
Mr. Chris Payne - Investment Manager



House of Assembly
Nova Scotia

HALIFAX, TUESDAY, OCTOBER 16, 2012

STANDING COMMITTEE ON ECONOMIC DEVELOPMENT

9:00 A.M.

CHAIRMAN
Ms. Pam Birdsall

MADAM CHAIRMAN: Welcome, everyone; we have a busy morning ahead of us, interesting presentations. Before we start, what I'll do is get the members to introduce themselves. Then we'll go along and talk about the agenda for the meeting.

[The committee members introduced themselves.]

MADAM CHAIRMAN: We've got a joint presentation this morning from the Nova Scotia Co-operative Council and the Department of Economic and Rural Development and Tourism. We'll do the presentation, then everyone will have at least 10 minutes to ask questions in the first round, we'll see if there's time for a second round - which will usually be a shorter round - and then a summation.

After we do that, then we'll be thanking the presenters and we'll go on and do our business. We'll have our annual report and look at a number of other things. Hopefully we can wrap up the presentation around 10:30 a.m. or 10:40 a.m., something like that, with all the questions and everything, the whole thing.

Okay, so I would like to ask you to introduce yourselves please, starting at the end.

MR. KEN MACKINNON: My name is Ken MacKinnon; I am the senior manager of Business Services for the East Coast Credit Union, also the chairman of the board for the Investing in Nova Scotia Enterprises Co-operative, as well as the chairman of the Nova Scotia Co-operative Council.

MS. DIANNE KELDERMAN: Good morning, everyone. I am Dianne Kelderman; I am the president and CEO of the Nova Scotia Co-operative Council.

MR. SIMON D'ENTREMONT: Good morning, I'm Simon d'Entremont, Deputy Minister of Economic and Rural Development and Tourism.

MR. CHRIS PAYNE: My name is Chris Payne. I'm also with the Department of Economic and Rural Development and Tourism, and I am the provincial observer to the board of the Investing in Nova Scotia Enterprises Co-operative.

MS. LILANI KUMARANAYAKE: I am Lilani Kumaranayake, executive director of Policy and Planning with the Department of Economic and Rural Development and Tourism.

MR. ALVIN HUBLEY: I am Alvin Hubley with the East Coast Credit Union, commercial account manager, and I'm also the secretary of the investment board.

MADAM CHAIRMAN: Thank you, if you'd like to begin.

MR. SIMON D'ENTREMONT: Thank you, Madam Chairman. It's great to be here. We are here to talk about small business and the work that we do to support it. There are 30,000 businesses in Nova Scotia with fewer than 100 employees. The work that we do to support it, and their role in the economy, is very important for us.

We're here to talk about the Credit Union Loan Program in particular, but to place a little bit of context of what we're talking about, the Business Development Bank of Canada released their survey this morning about the feelings of small business and their intentions to invest. Interestingly, the majority of businesses had an intention to invest, but they face certain barriers; uncertainty about the national economy and access to capital are the two major barriers. Sixty-one per cent of small businesses have indicated in the survey that they would invest but for the barrier of access to capital, so we're going to be talking about the role of the program in that.

To place a little bit of context, the province has numerous tools to support small business, starting off with tax incentives. We have a small business tax rate of 3.5 per cent on the first \$400,000, saving small businesses \$110 million in taxes annually. We have our Equity Tax Credit program and the Community Economic Development Investment Funds - CEDIFs - in which we invest \$5 million to \$7 million annually through our tax credits. We have the Film Industry Tax Credit that provides \$20 million in tax incentives to a sector that contributes about \$120 million to the economy. We have the Digital Media Tax Credit, as well, with another \$3 million. It's a significant contributor to small business in that sector.

At ERDT and NSBI, we also have a number of programs to support small business. We have the Business Development Program at ERDT where we support the hiring of consultants for small business to do report studies and these types of things, to help support their initiatives. Also, at NSBI they have a venture capital fund in business financing and also the payroll rebate program, which is a good program that allows us to not get too far

ahead of the incentives we create and the jobs that we create. To support trade, we have several programs that we support and deliver with NSBI and Trade Centre Limited, including trade missions and finding new markets or expanding markets for small business. To help navigate and support all that, we have regional staff across the province to help businesses find the right tools that they need.

The BDC survey also indicated the same thing - that businesses are looking for ways to innovate and be more productive. To support those ends, we have a Productivity Investment Program where we invest \$25 million annually to help business become more innovative and more productive. Although we had a slow start with launching the new program last year, we're at the point now where we're getting more demand than we can handle, and there's obviously a big demand there.

We also have graduate placement programs and co-op programs for small business to subsidize the cost of hiring recent graduates or new employees. We have a Productivity and Innovation Voucher Program, which is a great program that basically gives a business a \$15,000 or \$20,000 cheque to spend at a university or community college, to buy research or to buy prototypes or to buy science. The reason it's a great program is that it's targeted to small business but they, in turn, get to create the linkages with universities that we really want to create, because we have lots of great research and commercializable science that's being done in universities and we want to encourage the linkage between private sector and universities, to be able to hand off that research to the private sector for them to create good jobs and commercialize those products.

We also know, though, that 60 per cent of new jobs are being created in small high-tech firms, so that's why at Innovacorp we have several tools in the venture capital space to help grow new businesses. Those include a Clean Tech Fund, where we invest in green-energy projects; the Nova Scotia First Fund, which is their standard fund; and we've also launched a new regional venture capital fund to help provide that important source of risk capital, especially for small, high-growth firms that really need to leverage that type of investment.

The other types of investments we've made, we have 99.9 per cent connectivity in rural Nova Scotia, in terms of broadband, and that's important for not only individuals and consumers but for businesses that want to grow their business. We have a Web portal at business.novascotia.ca where on-line businesses have access to all these tools, all these programs, and also to different types of licensing products that they have.

Finally, we have our Credit Union Loan Guarantee Program which, of course, we're here to talk about today and it's a great success for us and it's a great partnership.

These programs are part of our economic development strategy called jobsHere that is focused on three pillars. The first is learning and skills. Our intention there is to increase the skills that we can use for the advantage of business in the province. Last year over 20,000 people participated in those programs and that has been a great success for us.

On the innovation front, innovation and productivity is the second pillar. Nova Scotia companies, unfortunately, have productivity levels running at about 75 per cent of the national average, so that's something we need to work on, and we need to continue to strive to improve through building new, innovative products and new productivity means.

The third pillar is trade competitiveness. In Nova Scotia we have about one out of every 34 firms that export, where one out of every 23 is the national average, so we need to help companies find new markets or, for ones that are already exporting, to expand their markets, expand penetration of those markets.

The whole goal of the jobsHere strategy is really - we've turned on its head our former economic development strategy, which was low-cost competitiveness. So basically our old strategy was let's be the cheapest producer and that way we'll compete, but in the global marketplace, with an almost unlimited supply of cheap labour, that's a race to the bottom and someone is eventually going to beat you out. The only way to beat them out is to keep your wages even lower and to knock everything down.

The new strategy is to turn that on its head and to drive everything up. It's about driving up value; it's about making products that are of a higher value. That way you can pay better wages, more competitive products and helping out the - having a better economy based on more productive, more innovative workforce and products.

So we're here to talk about the Loan Guarantee Program. Donald Savoie, in the report he wrote for the province in 2010, pretty well summed it up fairly well: it's a great program that's easily accessible, a very low cost to operate for us, low default rate and is close to the ground for decision making, which is helpful for us because we don't have the connections on the ground like the credit union network does and we'd likely take advantage of that opportunity. So I'll turn it over to you, Chris.

MR. PAYNE: So the program originally began as a pilot program to try to increase the availability of commercial credit throughout the province, using the network of credit unions that are established, and well-established throughout all areas, especially the rural communities in Nova Scotia. We can see now that it has grown over the years into a number of other programs.

The original program was the Small Business Financing Program. It began with \$150,000 as the maximum amount you could borrow from the funds and that could be amortized for seven years. We had a number of changes through the years and recently that has been increased to a \$500,000 maximum. As you can see in the yellow, in the bubble, it's a 75 per cent guarantee. That's basically the deficiency guarantee as to when - if one of the loans goes bad, the credit union will still go out, they'll realize on whatever security is available, if there's personal guarantees, anything like that. They'll take whatever is available to reduce the loss on the loan. Then they'll make application to the province, detailing exactly what the business was, what happened to the business and make application for the province to send them 75 per cent of the net difference.

It has been working very well. We have a number of our credit union partners here today who will also speak to basically the ease of the program and how it works. So due to the success of that program and the take-up on the program, other ones have been created over the years. The first one was we worked a partnership with our Department of Immigration to try to find some ways to make it easier for new immigrants to grow and expand businesses here in Nova Scotia. It's certainly part of their mandate, and of the province generally, to have new immigrants settle happily in the province where they're able to establish themselves and be successful in business.

In working with the Co-operative Council and with the credit unions, it was determined that to make this program work, we needed to have a bit of a higher guarantee in place due to the additional risks or complications that some new immigrants face such as language barriers and problems with no established credit history, a different type of banking system from their home environment, so we put a 90 per cent guarantee in place on those loans.

After a sort of learning period of about six months we started to do those loans, as well, and they've been very successful. We expanded the pilot from two years to five years and the amount of money under that pilot from \$2 million to \$5 million. We're continuing to work with our partners in Immigration and the Co-operative Council, and we've been able to establish a number of new businesses which otherwise would not have happened. In a later slide we'll have a breakdown of the activity under each of the programs.

Due to some of the challenges around some of the industries, in industry towns that are going through some severe economic changes, another program was brought about called commercially-viable, high-risk, which also came out with a 90 per cent guarantee. It's really for those kind of places and businesses which, not really due to the fault of anything of their own but due to the economic factors of a large, single employer or other things, have made it very difficult for them to continue operations. Even within those pockets, there are businesses that are very successful and they still need access to credit in order to operate - lines of credit and term loans - in order to be able to continue to do their business and be able to employ things. We put that in place to make it easier for the credit unions to be able to continue to do business with those successful clients.

Just this year we launched another program, again, after consultations with a number of different parties. There has been a lot of interest in social enterprise and social finance and so we've identified another program which will allow the credit unions to move into an area of lending that they weren't able to do before, which is basically working with companies that have a mandate to improve other things; they don't work solely for the bottom-line profit. So we have a pilot program; we've done a few loans, and again, we're doing it as a two-year pilot so we can evaluate to see whether or not this is working, whether or not there's take-up from the sector and making sure, of course, that we don't have any kind of extreme losses and things like this.

The programs are all administered by the Co-operative Council. Dianne and I speak on almost a daily basis and as the claims come up. There have been a number of other changes over the years and, due to the co-operation between the province and the Co-operative Council and the member credit unions, we've been able to basically take the recommendations they bring forward to us by and large, make the changes as needed by what they've identified in working directly with the clients, and move forward to improve the program for everyone.

The key is - are the programs working? There are a number of different factors. I think no matter which way you look at these, the programs are working; they're a great success. As you can see, the program has grown significantly each year. There has been money that goes out to the new immigrants, who otherwise would have a great difficulty in getting access to their financing. It also establishes a banking relationship with the new immigrant, with their credit union, which can be a long-term relationship where it also improves the credit union. What this is doing is, primarily it was looked upon to provide access to capital for small businesses across Nova Scotia. It also is a significant factor in improving the abilities of the credit unions to deliver these services by giving them another stream of business and having them increase their exposure into the commercial lending stream.

As you can see, again, more than \$50 million in debt financing through these programs, and that's a lot of money going out to largely small businesses, a significant number of jobs, and the loan loss rate on these is still just under 5 per cent - I think the latest number is 4.9 per cent.

MR. SIMON D'ENTREMONT: One of the recent additions has been the social enterprise stream. What is social enterprise? Social enterprise is an organization that has business-like activities but whose goal is not to pay financial dividends to the owner in terms of profit, but that those dividends get re-invested to advance the philanthropic cause for which the organization was established. Just Us! Coffee Roasters Co-op is an example, or Le Transport de Clare is an organization that supports transportation for those who are physically disabled.

The goal of those organizations is to advance a cause and the goal of being successful in business to advance that cause, but they have commercial-like activities. For many years they've been considered kind of on the fringe of economic development, but we're realizing now - when I graduated from university it seemed you could go work for a big, multinational company - big business - or the not-for-profit sector; you had to make a choice. Now there's a whole bunch of organizations that are right in the middle that are not-for-profit-like but also do business activities. So it's a great opportunity for us to bring them into the job creation world and to start treating them like we treat other businesses, because they've felt for a long time that they don't have access to the same capital resources that we have been making available to business.

So this is a great opportunity. We're trying it as a pilot and I'm actually quite hopeful that this will be very successful and something we'll get to roll out even more.

MR. PAYNE: What we've done is, there's a significant number of statistics so we've just kind of cut out what we thought to be sort of the key statistics that would be of most interest to you, and there will be one of these for each of the sort of program streams. This is the program which has been running the longest, it's the 75 per cent Small Business Loan Guarantee Program, and it's what the programs are based on. So you can see there have been almost 1,000 loans approved and that's a significant number. From that as you go through, there are a lot of key things: the jobs that have been created from this, the jobs that have been maintained; those are very large numbers of jobs.

Another key statistic that I always like to look at is the fact that the average loan size is still under \$50,000, so we're doing small loans through this program, relatively speaking, which is really important. Allowing the credit unions to do more of this type of activity is really important, especially in some of the communities where some of the chartered banks may be reducing their activity and moving to a more program blending-type activity where the decisions are made in Toronto or other places. These decisions are made locally; they're on the ground, being made by loans officers and bank and credit union managers who are very familiar with the individuals, so they're able to do things that perhaps are not as easily done by the other commercial banks. This partnership is really key for the long-term success of small business in rural Nova Scotia.

And our new immigrant program - so these are loans that are all really interesting businesses, there has been a number of them done here in the metro region. There's more immigration to metro than there is to the rural areas of the province, but there have been some that were done in the rural areas. Again, the loan size is around the same - it's a little bit higher, but still in the \$50,000 to \$60,000 range and it has resulted in new jobs being created, new businesses created, and some more diversity into the economy.

Again, in dealing with a lot of different things - as you can see by the pictures here from the forestry-type jobs, with the harvesting, there has been a lot of concern obviously around some of the activity with the mills, but there are a lot of suppliers that supply to the mills and there are a lot of suppliers that supply to other places as well. It's important that they still have access to the financial tools so that they're able to continue their operations and grow their operations when they have a strategic place where they can grow their business, and they still need access to lines of credit to be able to finance the receivables and so on.

The loans under this program are significantly higher. There are less of them, but due to the types of equipment they're using and the kind of cost base they have, those have been higher. As you can see, it's almost \$140,000 which is significantly more than the others, but these are 15 loans. All of them important in the rural area, a lot of them up in the Antigonish area, and these are loans that would have been difficult to do without having the guarantee in place.

The most recent one we have is the Social Enterprise Small Business Loan Guarantee Program that Simon mentioned and you can see Transportation de Clare, the vans that we see in the top picture. There have been three done so far, there's a few others that are sort of in the pipeline being looked at and these are really interesting. There's a lot of interest from people in this sector, both within Nova Scotia and from outside Nova Scotia, because we are really doing something that is being called for in a number of jurisdictions. But Nova Scotia is really sort of out ahead of the pack on this particular piece of the program, in that we're doing loans to these entities that largely are unable to access credit and have to run on a cash basis.

By doing this, I think we're going to have a real opportunity to grow some of these social enterprises and to enable them to do more good things in their communities and move into sectors that they hadn't even really considered yet. This could be a really exciting thing in the years to come.

With this slide, I'm going to pass it over to Dianne and ask you to take over from here.

MS. KELDERMAN: Sure, thank you. Again, good morning, everybody, it's a pleasure to be here to talk about the success of this particular program. As a co-operative and credit union sector, we're very proud of the program and of the results, and most importantly, being able to help so many young and seasoned entrepreneurs from Yarmouth to Sydney to really create their dreams and be part of their local economy, rather than having to pull up stakes and move somewhere else.

Chris has talked about the success in terms of the overall matrix and the numbers of the program but there are a few other things that I think you would be quite interested in. I presented to you, at your seats, a copy of our annual report which was hot off the press yesterday afternoon. In fact, our annual meeting for this loan program is this afternoon, here in Halifax.

You'll notice in the report that loan losses on a \$50 million portfolio over the past year, the 2011 year, was actually at about 3 per cent, so very, very reasonable and modest loan losses and the losses cumulative over the past eight years are at less than 5 per cent. So when you consider the fact that these are, in many cases, high-risk lending activities that we're doing, we're still able to keep loan losses at a very reasonable level.

I just want to say that I think we're able to do that and the success of the program is not only based on the numbers themselves, but on some of the other differences that define credit unions. As Simon said, the activity is very local. The account managers are local people who know the community, know the economy, know the market, know the environment, so they're able to make those decisions right there, at a local level.

We have a mentoring network and we often assign a mentor to a new business client. The business client can request a mentor or we can make it a condition of the loan

that they have a mentor, if we feel they could benefit from that. That mentoring network is essentially retired professionals from the co-operative and credit union sectors, so it would be someone like a Jim MacConnell from Scotsburn Dairy, for example, or a credit union manager, a president/CEO who has recently retired. So they're part of our mentoring network, giving back.

I think the other difference is that unlike other financial institutions, credit unions don't pull the plug quickly. We really take the extra step and go the extra mile to work with our business clients and to help them in ways that probably wouldn't be expected from a financial institution. I think that really has spoken to the results and the fact that the losses are at the rate that they are.

Finally, in terms of the difference, we do other things to support our clients that are not necessarily finance-related; one example would be an immigrant welcoming program. So we not only do financing for new immigrants but we actually have a welcoming program where we invite them into the community, we give them a tour of co-operatives and credit unions, we introduce them to other people in the community so that they don't feel they're disconnected. I think all of that plays into the success and into the loan losses.

I think the other important point is that management-expense ratio on this program is almost nil; I mean, it's less than 0.5 per cent. When you look at similar programs - similar financing programs and not necessarily high-risk programs - they are in the 3 per cent to 5 per cent range, so very clearly we're managing this in a very effective and low-cost way. I suppose we could probably argue to the province that you're not paying us enough. (Interruption) Yeah, see where you go with that. (Laughter)

The other important point to make here is that if you look at the cost of the program, the amount of money, the economic impact, and then the cost to the province in terms of claims, we're looking at a cost-per-job-created of about \$258. I won't list them, but there are comparisons for other jobs created in the province that are in the \$15,000 range. So again, very clearly a big benefit and a low cost.

I'm sure you're interested in the human side of this business - what kinds of people are we touching, what kinds of people are we financing? We went out and talked to some of our members and asked them if they would be willing to give a testimonial about the program, whether this really made a difference in their business and in their ability to access finance. We had lots of them willing to stand up and talk about that. One is a young lady, a lawyer over in New Glasgow, who just a year and a half ago received financing from the local credit union and she specifically said, starting a new business with no assets, she would not have been able to do it. Not only did she get the financing to start, but she got the financing to expand and to increase her lines of credit.

Likewise, right here in Halifax, we had another young entrepreneur who says that dealing with the credit union had been the best decision he ever made. He's getting the

support that he requires and not only is the credit union doing the financing, but they're actually helping him to market and get his business idea out into the community.

We had a quote from one of our commercial managers at Bergengren Credit Union, who talked specifically about the forestry end of the program, the forestry stream, who had said despite what's going on in the industry there are a lot of small, independent forestry operators who are still in business, have growth opportunities, are doing well and need access to capital. They, through the forestry financing stream have been able to really step up and fill that void that's in the marketplace and a void that's even growing larger because everybody is running scared because of what's happening in the marketplace, so we fit in that void quite nicely.

Our friend, Larry Veinotte, who operates down in the southwest Valley area, he received financing from the program and is now employing seven to nine people; nine on his busy time, seven on the less busy. All these people were previously in receipt of EI and are now actually active, earning an income, paying taxes in the system as a result of the program. We can demonstrate to you across all regions examples of this happening.

Finally, we're never a sector as you probably know, to rest on our laurels; so even though we're doing well, we have lots of ideas of what we can do to further enhance activity across the province and to be part of the solution for the economy and be part of creating solutions rather than creating problems.

A couple of things are new on our horizon which would be an extension of this program. One is more focus on microcredit and there's nothing that precludes us from doing microcredit at the moment in the programming, the regular program, there's no minimum amount that a credit union could lend; however, the transactional costs obviously of doing a \$1,000 loan or a \$5,000 loan are as high as they are to do a \$150,000 loan, so we need to look at the microcredit in a different kind of way.

Tomorrow night, at our annual wine and cheese reception with the Premier and elected officials - and I hope to see every one of you there - we will be signing an agreement with the Nova Scotia Farm Loan Board. The Farm Loan Board, as you are probably aware, does debt financing but does not do lines of credit and working capital, and neither does the Fisheries and Aquaculture Loan Board. We're actually signing for the first time an MOU with the Farm Loan Board tomorrow night to collaborate a joint venture on some of the farming financing requirements in the province. They can do term financing, we can do lines of credit and working capital, or we can even share on some of the higher risk term financing, and we hope to do the same with the Fisheries and Aquaculture Loan Board.

We're all about meeting the needs of our community, about growing the economy and being part of the solution so we're pretty proud of the program, we think it has worked really well. We think we've delivered the dividends to the province and we'd be very happy to entertain any tough questions you might have.

MADAM CHAIRMAN: Mr. MacKinnon.

MR. CLARRIE MACKINNON: I have a number of questions and one of my favourites is in relation to other jurisdictions, other provinces, Eastern Seaboard states. How do our models compare provincially from a small-business funding perspective with other jurisdictions - perhaps picking a couple of our models?

MR. SIMON D'ENTREMONT: If you look at the balance of the Atlantic Region, this program is unique in terms of the business financing for small-business supports. Most provincial governments have some kind of small-business lending program or a way to have mechanisms for one. The federal government has the Community Business Development Corporations, which they support and occupy space in most communities. You could speak about maybe the credit union at work and what they have there, Dianne. We're very similar in terms of outside of this program - what types of supports that we have - but I think this program is pretty unique and gives us a neat opportunity to support small business.

MS. KELDERMAN: I can respond as well. I'll be far less modest than Simon and tell you that this program doesn't exist anywhere else across the country. In fact, we hosted, in Atlantic Canada two weeks ago, the National Credit Union Lending Conference, and this program was on the agenda because others are looking at it across the country. So it is very unique and doesn't exist anywhere else.

MR. CLARRIE MACKINNON: The small-business corporate income tax rate that was mentioned, the fact that it has been reduced three times and we're now down to 3.5 per cent, could you chronologically take us through what it was to get down to the 3.5 per cent?

MR. SIMON D'ENTREMONT: My knowledge is limited there, although I do believe it was 5 per cent and reduced in 0.5 per cent increments three times to get to 3.5 per cent.

MR. CLARRIE MACKINNON: Thank you. One of the areas - the film tax credit - I've run into two situations in the past couple of years in relation to people from Ontario actually moving here because of the stimulus that is involved here. This must be a success story from the province's point of view.

MR. SIMON D'ENTREMONT: There's about \$110 million to \$130 million in film business happening here every year and a big part of that is having a tax credit arrangement that is suitable for companies that attracts their business - a very competitive environment to attract the film business. If you're not playing in the game you're going to get out-competed by other jurisdictions that are, so it's a very important tool for us to grow our film business. It attracts some bright, young talent and, as well, it's an industry that requires a lot of services in terms of what they need to buy and supports other types of spinoff businesses from it as well.

MR. CLARRIE MACKINNON: I'm proud to be a credit union member in New Glasgow, Antigonish and Halifax for over 40 years; long over 40 years, actually. I see that the losses and the loan guarantee were 3 per cent in 2011 and the losses overall, sort of 5 per cent. Does that meet the expectations and does the 3 per cent mean that you're getting better all the time?

MR. KEN MACKINNON: For us, I think the expectation at the beginning was for the losses to be significantly higher than that. Luckily for us they're coming in, as I said, cumulatively at 4.9 per cent, this year at 3 per cent. I think ultimately, because the program is left in the hands of the credit unions and you have the account managers adjudicating on these credits based on the risk, they're just not taking the deals as they come forward and putting them on for the sake of having the guarantee. There still has to be credit worthiness with the credit, and because of that you have the added feature of the guarantee, but I still think that the adjudication is still within the hands of the experienced people in the credit unions and that is why you see the results where they are.

MR. CLARRIE MACKINNON: Talking about the credit union, Dianne talked for a couple of minutes about microcredit. Microcredit has been a concern for a long time in many areas, in many jurisdictions. I remember a number of years ago running into a situation where a person needed \$1,500 for a new grill in a small take-out. The one that existed was almost ready to burn the place down, and the fact that funding wasn't available for a very small loan. So you're saying a how-low-can-you-go type of thing in relation to this because it's an area that I would like to see more emphasis on.

MS. KELDERMAN: Very clearly, and we're constantly looking at the continuum of financial services, which is why we came to the province and asked for the social enterprise fund just this year, so that we could actually finance not-for-profits and community-type business ventures. So if we look at the continuum of services and this particular guarantee program, we pretty much have all the different components now covered except microcredit, so that's the next piece that we're going to take a serious look at. As I said, not that we can't do microcredit now under the existing program, but it's not structured in such a way that it's an incentive for the credit unions to do a lot of microcredit, because of the time and the transactional costs. So we're looking at that.

MR. CLARRIE MACKINNON: Well, thanks for considering moving in that direction; that's wonderful. One last question, if I may: how do small businesses find out about the various programs? All kinds of federal programs and sometimes provincial programs as well - people come into a constituency office and they're not aware that a certain program actually exists or is available. How are you getting the message out there?

MR. SIMON D'ENTREMONT: I can take that one; maybe you can fill in afterwards. We have a Web site - novascotiabusiness.ca - where we provide a portal for people to access the different types of programs that are available. One of the best ways to do it is to contact our regional staff. We have a field staff out in all parts of the province. Their job is to have good knowledge of what tools are available. We have them co-located

with other levels of government, in other organizations in some places, where you can go in and make your pitch, describe what you need once to several members of the different organizations who can get together and compare notes and try to figure out how to do that.

I used to work in Yarmouth, in a one-person office. The location was very handy for several levels of government and community-based organizations to sit together, to strategize together as a group, on how to help and who has the best-suited programs to help different business people.

MS. KELDERMAN: Very similar with us as well; I mean everything is electronic now, of course, and you can find all the programs, all the details on the programs and we have links to the province's site and to all the credit union sites so it's ease of finding it there.

We do the traditional types of things. You will see in front of you a loan program brochure which we have in every credit union office, every RDA and CBDC and other offices across the province. We do a lot of work through the media, we will talk to anybody who is willing to talk to us and listen to our good-news story. We do a lot of luncheons and meetings and focus groups around the province, with new immigrant groups, with chambers of commerce. So we're constantly trying to get the message out about the credit union and about these various programs.

MR. CLARRIE MACKINNON: Thanks for being here and thanks for doing what you're doing for Nova Scotians.

MADAM CHAIRMAN: Mr. Porter.

MR. CHUCK PORTER: Thank you. Just a couple quick questions and then I'll pass it over to Eddie maybe for a few minutes. Clarrie had just asked a question that I had written down, as well, about getting it out there, because I have in my small constituency, believe it or not - I guess it's really not small, Hants West - there are hundreds of small businesses, lots who call and say, what's out there and available to us? They don't know a lot about what's going on.

You mentioned the chambers and things - I'm just curious who the regional rep would be. Is it the RDA folks in my area who should be out meeting with the rotary group and WBEs and others, and councils and so on? One of the things that always bugged me was, I never really see somebody - although I think they're working hard down there, and I'm not sure what they're doing exactly - there doesn't appear to be anybody out just driving this, do you know what I mean? Like saying, we're here and this is a great program, because businesses are wondering where to go.

We have referred to the credit union and over my time of being elected, a few people who have had great success - and I would say, first of all, that's a fabulous program, you know, small money; \$5,000 is one that comes to mind, and it just worked perfectly for

that organization, created a couple of jobs, put the cash flow up front and so on. I think it's a great program, it's just I don't know that we're getting it out there and driving it hard enough.

Dianne, I know you talked about advertisements, the media and chambers and stuff - is there another method that we should be using? I mean, are there packages somewhere? You talk about on-line but not everybody - you know one of the guys I just talked about, one of the \$5,000, he doesn't do on-line. He's an older gentleman, walked into the office and says, what's available? I would like, as an MLA, to have in my office a package that says hey, you know what? There's some great stuff going on in Nova Scotia, if it's there, and to be able to sit down with him and say, here you go, how can we help you through this? That's what we do in my office so I'm just kind of curious, is that a possibility?

MS. KELDERMAN: Sure, absolutely. We're very happy to put together a package on these programs, including information on the application process, a list of the credit unions in your particular area, with the contact information for the commercial lender. We'll make sure that's on your desk in the next week.

MR. PORTER: That's very good.

MR. SIMON D'ENTREMONT: There are different levels of governments, you know, there's no one identified one-stop shop for everything; although in different communities, different people have taken the lead. In some communities the RDAs take a leadership role, and in other regions it might be the federal officials or provincial officials. Quite often in these different communities, they will come together and put together joint packages where they have a big folder, you open it up and it's got everyone's brochure in it, or there are different regions that have collaborative Web sites, as well, where you have these in there.

I think it would be helpful for you to make known in your community, to people who are in the economic development business, that you believe there's an unmet demand of people for information. I think they'd be more than happy to get together. As well, sometimes these people in the economic development business will get together and host different types of events, trade shows and so on, to try to support economic development efforts in their communities. I think there's a lot of willing hands if they know that the message is not getting out properly.

MR. PORTER: Thank you for that and yes, you're right - the various levels seem to do their own thing and maybe it's not all combined. They're each doing their own thing in a good way; our RDA is more focused on some specific projects, or at least when I meet with those guys they seem to be. We have other entities there, like job resource and so on, like that.

It never really seems to be easy, most people tell you this, and they'll walk away because they find it conflicting or confusing. They don't know where to go and they're

intimidated by it a lot of the time. It's about the ease of access, I guess. We do a lot of that stuff, I'm sure all members do.

Just the other quick question I wanted to talk about, you mentioned in your opening statement about broadband being 99 per cent. Can you give me a number as to what the 1 per cent that is not connected equals?

MR. SIMON D'ENTREMONT: About 800 or 900 in the province who are in geographically unusual - you know.

MR. PORTER: Oh, I've been through these challenges in the one-offs, for example.

MR. SIMON D'ENTREMONT: Yes, it's a big challenge. We've spent a lot of time and attention trying to figure out those 800 because they need to be solved as one-offs, often. It's kind of challenging to do in a global sweep but it's a priority to try to keep plowing through to try to figure those out.

MR. PORTER: Could I ask a question about the output in the contract or would you have knowledge of that?

MR. SIMON D'ENTREMONT: Maybe some.

MR. PORTER: Okay. I guess to really keep it simple and high level, it would be this: I'm the consumer, I hooked up as part of this great plan and I'm now on high speed and I live in rural Nova Scotia. What was the contracted guarantee of megabytes per second?

MR. SIMON D'ENTREMONT: I think 1.5 is the standard that we try to achieve.

MR. PORTER: Would that be all the time?

MR. SIMON D'ENTREMONT: That's download; upload is a smaller number.

MR. PORTER: But as a minimum, 1.5?

MR. SIMON D'ENTREMONT: Well, I think 1.5 is the standard we're hoping to achieve through the program.

MR. PORTER: What if you're not getting that?

MR. SIMON D'ENTREMONT: You should contact the service provider . . .

MR. PORTER: I've been there.

MR. SIMON D'ENTREMONT: . . . and let the service provider know that you're looking for a better solution.

MR. PORTER: So just on that quickly then, these folks have done that and I have one guy who is in a good spot, he's hooked up but consistently, he and others are not getting the 1.5. So he calls the service provider and they say, okay, we can fix that. He says they claim they just switch off whatever tower they're grabbing and the number of people on it, and all of a sudden that bumps up your ability to grab more of that power and makes you a little faster, but then that slows down when more people get on it. Is there this continual bouncing of output?

MR. SIMON D'ENTREMONT: Sure, Lilani is (Interruptions)

MR. PORTER: I don't mean to put you on the spot, but . . .

MS. KUMARANAYAKE: We have a couple of folks in our department that are monitoring this so I will provide you the names afterward.

MR. PORTER: Yes, if you could do that, it would be great.

MS. KUMARANAYAKE: They work directly with the service providers, so they're picking off any of these kinds of issues.

MR. PORTER: Okay, I'd be happy to have it, thanks very much.

Thank you, Madam Chairman. If there's any time left in that 10 minutes, I think Mr. Orrell would like to have a couple of questions. Thank you.

MR. EDDIE ORRELL: Chuck talked about the inability of some people computer-wise and if I could get that package, I'd appreciate it, as well, because I do have people come to my office in the same situation: they run a little local garage, they're not computer-savvy or they don't have to be because their business doesn't provide that. So if I could get that, it would be great.

So the existing businesses now that need a bit of extra can go through this program the same way - minimum amount of money. I had one gentleman who is a mechanic and he wanted a lift for his garage, but he didn't meet the programs for other - now, this was a while back - and if I had this program he could probably come in under this program with a loan guarantee from the credit union and get his lift. So it doesn't make any difference the kind of business, it doesn't have to be technological?

You talked about social enterprises and I know that's relatively new in the Province of Nova Scotia. In my area, I see a few of the disabled population trying to get into that area. Are they going to need to meet the same requirements or are they going to be able to

get some adjustments and amendments to the loans because of disabilities, or is that something that hasn't been looked at yet?

MR. SIMON D'ENTREMONT: The program is not designed to provide flexibilities for people in certain categories, but rather if they get together and create an enterprise that has business-like activities and makes revenues - because it is a loan, so the sense is that you have to create revenues. The goal of that organization may be to promote some philanthropic cause, so if they wanted to get together and create a business-like activity, that's something we could consider. I say "we" - collective we.

MR. ORRELL: You talk about the 3 per cent default rate. How many businesses actually get rejected when they apply for a loan? Would you know that? What type of businesses are they and where would they be located?

MS. KELDERMAN: We don't have numbers on declines because we don't actually get that from the credit union unless there is a particular area where there seems to be a lot of complaints. If that happens, we go to the credit union and ask what's happening here and from the assessments that we've done across all of the regions actually, there are not a lot of declines.

The credit union will make one of three choices. They will either do the loan under existing lending criteria - so I can tell you of the case in Cape Breton, for example, we have about \$2.2 million of activity that has been done through the credit unions where the business client, through the program, walked in the door with the brochure in their hands, said, I want to apply for this program, and the credit union, when they did the adjudication, they did it under normal lending because it's less costly for the member to do it that way. So the credit union can do it under normal lending, they can do it under the guarantee if it's still a decent business case, or it can be declined if it's really not a good deal for either the credit union or the province. But we're not getting a lot of complaints about declines.

MR. PAYNE: If I could just add a word or two as sort of the administrator, I guess, from the government side of things. In seven or eight years with the program, there have been no more than a handful of direct contacts from clients, complaining: I went to the credit union and I couldn't get access to this. I thought this was a government-guaranteed loan program. How come I can't get my loan?

There were a handful of those and we addressed those individually. Certainly I spoke with Dianne on all of them. We typically would speak with the credit unions, as well, just to find out whether or not there is an issue with the program. Is there something going on here, is there a particular credit union that doesn't particularly - is there some misunderstanding of how the program works? In every single instance, what it was is the credit union has to always look at the ability to repay the loan and the credit worthiness of the applicant. In my memory, I don't recall any that were declined that really should have been done.

There are sometimes other factors that weigh in, such as the credit union may be up to its limit in a particular sector and it simply may not have any funds available, because they can only loan based on the amount they have on deposit as well. So there have been a few other initiatives we had and I think we'll look at a few others in the future to help solve the liquidity of the credit unions so they're able to do more lending. Generally speaking, the availability of the guarantee does certainly move the bar down, so if a loan was just on the edge of being able to be done under the regular programming, the availability of the guarantee makes it that much easier for the credit union to move forward with the loan.

MADAM CHAIRMAN: Mr. Colwell.

HON. KEITH COLWELL: First thing, I have a whole bunch of information I want to get, we'll start with that. The deputy minister indicated there was a survey done of small business in Nova Scotia. You talked about concerns about investment capital and that sort of thing. Is it possible to get a copy of the actual survey you sent out and a copy of your results? I'm not interested in who applied but just a copy of the results. Can I get that?

MR. SIMON D'ENTREMONT: The survey was actually done by the Business Development Bank of Canada, and it was a national survey. We could provide the link to it; the results are probably available from the BDBC.

MR. COLWELL: Actually, any time we ask for anything here it's to the committee, not to me directly, so it would be to the committee through the chairman.

There's another one here that I think is very important, because as an MLA I get a lot of business people in every day. Could you give me a list of the programs and the details of every program Economic and Rural Development and Tourism has, so when someone walks in my door, or any of our doors, they can say here are the programs that are available, here's the contact information, and let them move forward - is it possible to provide that to the committee as well?

MR. SIMON D'ENTREMONT: Absolutely.

MR. COLWELL: Okay. I also want to get a list of the types of businesses that have accessed the loans through the credit union, just in general terms - a manufacturing business, a retail business, whatever it is, just that sort of thing. Can I get a list of that too?

MR. SIMON D'ENTREMONT: We can probably write some kind of sector breakdown.

MS. KELDERMAN: I mean I could even give you now the types but I can give it to you in writing as well.

MR. COLWELL: In writing would be better, please.

Also, you indicated the package of the credit union, the package of information on the loans, if you could provide that to all of us we'd really appreciate that because that's something that I've actually sent people, with mixed results but mostly positive. When I say "mixed results," I think that they don't meet the criteria, the other ones that didn't get the loans, because they don't have good credit or whatever.

MS. KELDERMAN: We'll ensure that every MLA in the province gets the package.

MR. COLWELL: That would be great. Also, it was indicated that there's contact available for high-speed Internet, if there are issues with high-speed Internet, through Economic and Rural Development and Tourism; could we get those contact names and everything as well?

MR. SIMON D'ENTREMONT: Absolutely.

MR. COLWELL: Now I'm going to ask some questions. I see you have 90 per cent loan guarantees for everybody except small business financing - that's not treating the small businesses in the province equally with anyone else and why isn't the loan guarantee of 90 per cent for everybody, or 75 per cent for everybody?

MR. PAYNE: The program began as a 75 per cent loan guarantee program, and as you can see from the statistical data we have provided, it's by far what most of the loans fall into. I don't know exactly what the number is but 90 per cent of the loans have been done at 75 per cent.

The others were specialized streams that were developed to address a particular need of small businesses in a particular niche that were of greater risk and greater degree of difficulty in accessing financing. So the first one was the new immigrants and in order to move forward with those loans, there needed to be an extra guarantee because of the extra risk associated with it, so that the credit unions could move forward. That was the first program that was developed. It was put up to 90 per cent versus 75 per cent to recognize the extra risk of those small businesses versus other small businesses.

The same philosophy was in place when we did the commercially viable high-risk lending, which is primarily directed towards forestry-type operations but there are others in those communities certainly, and also towards the social enterprise because the social enterprise lending is something we really haven't done before. We're kind of moving into an area where we don't have a lot of experience so to develop the expertise and to do that co-operatively with the credit unions, it was necessary to put a higher guarantee rate on, to ensure that the individual credit unions, that are responsible to their members, to make sure that they were able to actually move forward doing the loans.

It's not that small businesses are being unfavourably treated; the small business loans which are available to small businesses throughout the province are still a 75 per cent

guarantee rate. It's just these particular niches, which as you can see from the statistics are each quite small in comparison to the primary program, had extra risks that required the extra loan on top of them. I'm not sure if that answers your question.

MR. COLWELL: I understood all that when you made your presentation, actually. The point I'm making is, you are treating different businesses differently and if you're going to get business to grow in Nova Scotia, if you're going to have new immigrants and social enterprises and high-risk stream at 90 per cent guarantee, there's some of those small businesses out there that probably have been turned down because you don't have a 90 per cent financing guarantee on them, that may be very viable. They may be a little bit higher risk but you're putting them in a different category, so it should be the same for every business in the province - it's either 75 per cent for everybody or 90 per cent for everybody. That's the point I'm making and that's a real issue.

Being a small-business owner in the past, I would be very insulted and very upset with the credit union and the government if I have a competitor coming in from outside Canada going to compete with me and you give him a 90 per cent loan guarantee and I get a 75 per cent loan guarantee, and I can't get a loan and they do? I'd be very, very upset. I think you should go back and look at that again.

It seems like this whole thing - when you start looking at economic growth in this province and you said one in 34 companies export in this province and our productivity is only 75 per cent, I can tell you I was one of the companies in this province that used to export and it's very, very difficult to do. The cost of operating in Nova Scotia is just out of sight, just unbelievable. Anybody in small business here today is at a disadvantage if they can't get the same loan guarantee as somebody who is coming into the country - and I'm not saying that's not the right thing to do, I'm not saying that at all - or someone is a high risk or even a social enterprise - why doesn't the small business get the exact same treatment as everyone else? That's a real issue.

MR. SIMON D'ENTREMONT: The credit unions and lenders have other mechanisms to provide protection for themselves and their lending to make sure that they get paid back, which is part of the business that they have. They can get guarantees from other companies or other proprietors, they can take collateral, but also the guarantee is only one of the tools that we use to incent the behaviour of the credit unions. The 75 per cent guarantee, at the time it was developed as a pilot and implemented, was the amount of incentive that was determined was needed to get the type of behaviour that we wanted to get the loans out.

The reality is that there are other types of lending and the lending business is very structured that way in terms of risk profiles and they really spend some time trying to figure out the different risk profiles. The reality is that different risk profiles will require different levels of incentives to get the credit unions to deliver the business. We deliver the business through the credit unions and their behaviour will be dependent on their risk profiles. If we offer the same level of incentive for different risk profiles, we'll end up with very uneven

behaviour in terms of the lending level at credit unions. If they've got different risk profiles for different types of lending, we have to offer different incentives to get them to offer the same level of service.

MR. COLWELL: So in other words, you're saying a company that's probably got a pretty good chance at success, you give them 75 per cent and somebody who doesn't have a good chance at success, you give them 90 per cent? That doesn't make any sense to me at all, that's exactly what you just said.

MR. SIMON D'ENTREMONT: That's the amount of incentive that we'll need to provide to the credit unions for them to participate in the program and to provide some lending. I don't know, Dianne, if you want to talk about how you do that business.

MR. KEN MACKINNON: I guess I can only speak from the credit union side and it's pretty much on the micro side of our local credit unions, not on all credit unions for the province. However, when we look at it, to answer your question simply, having one guarantee amount would probably be a simple blanket-covering for everything. However, when we look at it from the credit union side - when we're looking at, for instance, the immigrants who are the high-risk loans now, most of those applications that came in are probably something like, there is either no credit history that we're dealing with or it's something like in this situation with the forestry, where there has been a massive change, where now everybody is sort of refocusing and everything is based on projections that are coming forward. The history actually means next to nothing anymore because that's not happening.

When we're going in with these larger amounts of money, in order for us as the credit union to proceed and look after the risk as it associates to our members, we're looking at it saying, what makes it more viable? Yes, we'll take the chance, but with the increased guarantee it allows us to move forward. For most of the ones under the regular Small Business Loan Guarantee Program at 75 per cent, as indicated earlier, there are other securities out there.

I don't feel that it has ever been a negative. We never look at it coming in the door saying, we're doing it because there's 90 per cent, we're doing it because there's 75 per cent - the credit has to be worthy for us to go ahead and do it. It's an added security feature for us to have the guarantee, but we're not going to put a bad loan on. Like your example earlier, if someone was questionable and someone was good, the good may not get it at 75 per cent and the questionable would get it at 90 per cent, to me, it's an example based on the fact that we're doing it because of the guarantee. If they're not worthy to get the credit or they don't have the cash flow, if it's 99 per cent, we're probably still not going to do it because there is going to be a loss there. We're still going to let them walk out the door because that is still our prerogative to do the adjudication. The guarantee is part of it, but it's not the whole deciding factor.

MR. COLWELL: I fully understand that and I appreciate it. I'm glad that you take the due diligence to make sure that you get your loans paid back because the idea of this whole thing is to get your loan paid back and ensure that the company is successful. The point that I'm making and you're missing here is that if there is a 90 per cent guarantee for three sectors in the economy and only a 75 per cent guarantee for the businesses that are here today working that have to come up with the proper projections, have to have history, have to do all those things that make them a good credit risk, you basically have no more risk at 90 per cent than you have at 75 per cent.

You're treating the businesses differently. It may make the difference between them getting a loan and not getting a loan if there is a situation that says, well, we're not quite sure what that sector is going to do this year, but it may be positive based on all the history they have. I've seen that happen with banks and organizations; they do sector lending, and rightfully so if the sector is on the downturn. I mean, you have to look at all these things and I realize you do all that.

The point I'm making is, if you're going to do a 90 per cent guarantee for someone who has absolutely no record of running a business in Nova Scotia, for one example, and then you come to a local business that has been here for a long time, working hard, has history and you only give them a 75 per cent guarantee, it doesn't make sense. It's either everybody gets the same, no matter what it is.

Now, it's not the credit union - it's the province that has come up with these guarantees. It's not the credit union. I really appreciate the fine work the credit union is doing with these loans. I know it has helped a couple of companies in my area very successfully, but if they could have gotten a 90 per cent loan guarantee in one case, I'm sure they would have had a loan; where at 75 per cent they couldn't get one.

MR. PAYNE: If I could add one little comment. I appreciate what you're saying, but I don't think I have a very good answer for you. What I can say is certainly there is no difference in the cost to a small business on the cost of the money they have from a loan. Whether it has a 75 per cent or a 90 per cent guarantee to it, the interest rate is calculated exclusive of that, so for a business that successfully gets a loan at 75 per cent or 90 per cent, there is no difference in the cost to them so there is no benefit, but I understand what you're saying that there may be some clients or some companies in your area that did not get a loan, that may have gotten a loan. I'm not really sure what we can say to that. Ken or Alvin, do you have anything else you can say to it? I don't know if you have any experience directly with that situation.

MR. HUBLEY: The premise of the loan program or any loan is the initial application comes to the credit union and we put it on our desk and go through the checklist. The guarantee is not even on the table in the initial assessment. I'm only speaking for myself; the 75 per cent or 90 per cent wouldn't be a factor in turning down a loan. If the guarantee is what I need to make it work or meet our risk tolerance, the 75 per cent makes it and the 90 per cent makes it. To me, there is no real difference there, other

than, yes, there is a higher amount in the actual percentage, but I don't see it being a deciding factor on a loan application that you would turn down.

Speaking for myself, I wouldn't turn a loan down because they had a 75 per cent guarantee or a 90 per cent guarantee. What I look at is I have a guarantee that's going to substantiate the loan or cover deficiency that I've identified that doesn't make it meet my risk portfolio, so I don't really see that as being affecting loan applications. Now, I can't speak for everyone - any one person can see the world differently, but as a general rule, from my experience of 32 years at this, I don't think loans are going to get turned down because of the 75 per cent and 90 per cent. If you have a guarantee that's going to make the deal and meet the risk portfolio, you're going to take the guarantee. If it doesn't, it doesn't, but I'm speaking for myself.

MADAM CHAIRMAN: Mr. Colwell, I think what we'll have to do is get it on the next round. Mr. MacLellan.

MR. GEOFF MACLELLAN: Thank you for the presentation. I think, as Simon mentioned, access to capital is one of the main issues that we have as an economy and kind of across the board, so I think it's a pretty detailed economic puzzle, but this is an important piece. I know you came here for my blessing this morning, so you have it, so good job.

I just have a few specific questions connected to the program and I might be missing something here, but I just want to understand the details. What criteria make this different from commercial banks? Obviously, notwithstanding the co-ops and the credit union, the mandate is community-driven and you want to support small businesses in the community, of course, but with respect to commercial banks it becomes about risk. What is the percentage, what are the chances of getting the money back with the interest? Obviously, they have a very specific sort of set of rules that they go by, and obviously the Bank of Canada and the rates and the global economy and those types of things affect all that. How is it that this program can be offered with respect to how the commercial banks operate? Obviously, a lot of your potential users of this program would probably not have access to commercial money, so what's the difference?

MR. SIMON D'ENTREMONT: I can take that. In terms of from a policy perspective and from our perspective, there are some parts of business that take place on its own, without assistance. There is a layer of risk - and then there's another part of business that's not profitable and too risky for us to get involved, but there's a slice of business in between that has some higher risk, but that if mitigated and managed properly we can go in there and provide that access to capital for that slice of business that's a little bit riskier than what a commercial bank would do within the bounds of being reckless. For that amount of money we're able to do that for less than a 5 per cent charge to our investment, provide access to capital for that slice of business and get that slice of business to grow and be productive as part of our economy. So that's from a policy perspective what our interest is. You might talk, Dianne, about how it's different from a credit union's perspective compared to commercial banking.

MS. KELDERMAN: Yes, sure. There are a couple of key differences that define the program and define why the program is important and needed in comparison to other financial institutions. Two big pieces - and probably they represent about 70 per cent of our overall portfolio - would be on working capital and lines of credit. I can tell you that in the regular financial world access to lines of credit and working capital is very difficult.

The other focus of the program, which is seemingly not the focus of other financial institutions, is the local rural base. We have an example of a rural business, a 70-year-old business that had been financed by another financial institution for the last 30 or 40 years and six months ago were given six months to find alternative financing. They had a \$380,000 mortgage, a line of credit, and had six months to find it or the locks were being put on the door. Well, lo and behold, we're local, we're rural, we're focused on lines of credit, working capital, keeping businesses going, so we stepped in and provided that alternative financing, so I think that's another key piece.

We have a real focus on small businesses and not a lot of finance institutions are interested in small accounts, \$30,000, \$50,000, \$60,000 accounts. Finally, I think it's very different because credit unions started doing financing based on character lending - you know the person, you know the family, you know the environment and that is a key piece of this program which I don't think you'll find in other kinds of programs, so they would be five really key differences I would think.

MR. MACLELLAN: Next question, and you sort of touched on this a little bit, how does this work for the risk overall for the province? So the province invests this particular amount of money which I'm not sure what it is overall, what is the entire amount that's invested for this program?

MR. PAYNE: We don't invest money directly, the credit unions use their own money and they make the loans. If a loan applicant comes through the process and for whatever reason the business doesn't work and the business fails, then the loans officer works with that business and the individuals involved in it, they realize whatever security is available to it. If, after selling off the assets of the business and realizing on any guarantees that are available, there is still a deficiency and there's money left over still owing to the credit union, the credit union then makes application to us to get the 75 per cent or in the other case the 90 per cent. We work through and confirm that all the data is in place, the audit trail is in place, and then we cut a cheque payable to the credit union. So we pay nothing out front. They do the loans and if the loan goes bad after three or four years, then we make a payout.

MR. MACLELLAN: So the province basically guarantees the guarantee.

MR. PAYNE: Yes.

MR. SIMON D'ENTREMONT: We pay out after they have realized on their security; if there's any shortfall, we cover the shortfall up to the 75 or 90 per cent. We don't cover all of the 75 or 90 per cent.

MS. KELDERMAN: It's a deficiency guarantee. So the relationship we have with the province is a paper one; we're using our own capital. When I talked earlier about the management expense of ratio, that's not a fee that the province is paying us - that's a cost within our program, our own money. So the province is only paying out in a deficiency case after the fact.

MR. MACLELLAN: So the parameters for these loans are all credit union-driven, there's no sort of input from the Department of Economic and Rural Development and Tourism?

MS. KELDERMAN: No.

MR. SIMON D'ENTREMONT: Other than the categories.

MS. KELDERMAN: Yes, we've sat down with the province and have agreed on what the parameters and the terms and conditions and the priorities are. If there are deals and we get regular requests, like the example I gave you about the 70-year-old business about to get locks put on the door, we'll often go to the province and say, here's a deal that's really outside of the parameters but we think it's important to do it, for these reasons. Then we jointly agree to do that, rather than doing it and it being a surprise down the road.

MR. MACLELLAN: Just two more quick ones and I'll finish up. The 3 per cent loss - which is cumulative at 5 per cent or just under 5 per cent - I know you don't have any hard numbers on this but just generally speaking, of these streams, which one would represent the most sort of portion of those losses? Would it be the high-risk stream?

MR. PAYNE: No, clearly the percentage of loans is under the regular small business lending program, the 75 per cent program that has 90-plus per cent of the activity, it also would have 90-plus per cent of the losses activity as well. So the other programs are all newer and the losses on those programs are all quite small. The greatest percentage of the losses is on the largest program.

MR. MACLELLAN: Okay, so would that be sort of - and again, I don't know if you have this exact answer but for a commercial bank, would those losses on \$50 million be roughly the same percentage or like in the 5 per cent range? Would you know that?

MR. PAYNE: I think the 5 per cent would be a bit higher than what regular commercial business would be. I think I've heard reference to a number of sort of in something less than 2 per cent would be theirs but that's on a much larger book of business which includes regular mortgage-type lending and fully-secured, asset-backed financing. So we're very happy with the loan loss rate at something under 5 per cent. Certainly in the

early days when it was being looked at, I think the numbers were bandied around to be quite a bit higher than that. So from our perspective, those loan losses are still very good.

The flip side that always has to be considered, too, if the loan loss rate is too low, that is not necessarily a good thing. If the loan losses were zero, it obviously would mean the credit unions were not taking enough risk on the program because we want them to move on to loans that they wouldn't otherwise do. So it's sort of an area that you want to be between x and y with your loan losses because if you drive it too low, then that means that they are turning down too many loans.

MS. KELDERMAN: I think the other important point to make is of the portfolio which we are talking about here, which as of today is 1,109 businesses to be exact, you won't find a lot of these businesses in the portfolio of other financial institutions. So it's a very difficult comparison to make.

MR. SIMON D'ENTREMONT: Also, if you compare the under-5 per cent loss ratio with other development agencies, like the federal government and so on, I think they would look at ours very favourably, on a comparative basis.

MR. MACLELLAN: Just finally, do you have the statistics for the 2012 program up to this point?

MS. KELDERMAN: Well, 2012 just started on July 1st. Our fiscal year is July 1st to June 30th, so the statistics you have in the annual report are from June 30th.

MR. MACLELLAN: So it is a good chunk up to that point. Okay, thank you.

MADAM CHAIRMAN: Ms. Zann.

MS. LENORE ZANN: That was a really interesting presentation, thank you so much. I was going to say that the Premier had mentioned at one point that Mr. Bragg from Oxford Frozen Foods had tried to get a loan from a bank to expand something. He was having trouble and he came to the province - Nova Scotia Business Inc., I think it might have been - and we gave him the loan in order to do whatever it was he wanted to do with his business, I guess the wild blueberries. It leads me to think that if somebody like that has trouble with a regular bank, getting a loan, obviously there is a place for this particular type of lending. Can you explain how that would be different for a regular bank versus us giving somebody like that a loan?

MR. SIMON D'ENTREMONT: Sure. Banks have a very different way of looking at the business; they're looking at profitability-based business. As well, it's not uncommon that we run into circumstances, for example, where the banks establish limits as to how much money they can have invested in different sectors. For example, if a sector becomes higher risk, they lower the limit of their national portfolio, for example, that they want to have invested in that business. What they do is they start making phone calls to people in

those sectors and say, we prefer to not be a client, and they try to get them out of the business. Those are times when having the flexible means is very important.

As well, there are times where we've seen economic downturns, for example in 2007-08, where we made some investments through the Jobs Fund and other investments throughout the province that we've actually been paid back since then. The times were hard at the time and having a little bit longer range view, a little bit more flexibility at times, gives us an opportunity to make those types of investments and for many of those, we've been paid back in full once things turned around. The businesses are looking for the financial flexibility to make it through those hard times, especially when access to traditional bank financing was becoming problematic.

MS. ZANN: Would it also be because of the rural nature of his business, because it was in Oxford? Would that have anything to do with it as well? The regular banks sometimes, as you said, will threaten to put the locks on the doors or whatever.

MR. SIMON D'ENTREMONT: The reality is that many of the commercial banks have retreated significantly in the last 10 years in terms of their rural presence. That's a place where the credit unions are still very strong and having these alternative tools is very helpful in terms of being close to the client.

MS. KELDERMAN: We had 7 per cent growth overall last year across the whole credit union network, so our book of business is growing at the time that other institutions are retreating.

MS. ZANN: That's exciting actually. I think one in Truro seems to be expanding right now too.

I also want to talk about the idea of self-employed people. As somebody who had been self-employed for 33 years in the creative economy, I always found that if I was going to be producing a show or my own plays, it was very difficult to be able to go to a regular bank and try to get any kind of loan whatsoever, because when you showed them your taxes from the end of the year, your gross was always so much more than your net because, as a self-employed person, you can claim everything, pretty well, that's to do with your business, and when you are in the entertainment business, a lot of things can be claimed. It was almost like a Catch-22 situation.

So if we want to grow the creative economy here in Nova Scotia - and we are doing a Film Industry Tax Credit, which is wonderful, and a Digital Media Tax Credit, which is fantastic - do you find though there is a growing number of self-employed people wanting to start businesses, and how do you deal with them when they come to you and they say, well, I've got this great idea for a business, I want to start a digital animation company or whatever, but my credit is such that I - again, they just don't have a regular type of history with the credit. How do you deal with that?

MR. KEN MACKINNON: Again, because we're in the credit union world, we can only speak for our own credit union, instead of the other financial institutions that kind of have the blanket approach. In most cases that's one of the big reasons, because I came from a bank to a credit union, one of the main reasons was because of the community focus and the fact that you would work individually with the people. I'll tell you right now, with that example going into a chartered bank, they'd turn you around and say, see you later; you're a start-up or you're a new entry or anything - see ya, good-bye, I'm not even going to interview you.

In the credit union, you're going to sit down and you're going to go through that and you're going to explain exactly what you started to there - about the fact that you're claiming extra things on your taxes that are for x, y and z, but this is the real cash flow, and we work with it. The thing that's key on the credit union side is that 90 per cent of the decisions are made locally at the desk, so if you're sitting across from me, then the decision is being made by me. It's not in an envelope; it's not coming, God forbid, to Halifax or it's not going to Toronto or Montreal. It's staying in those local communities that you're dealing with. Because of that, there's a better chance.

The way I look at it is we take chances on the people who are in our communities. I think I can say that for most of the credit unions. I won't say it for all because that would pigeonhole me somewhere. However, I will say it for most and I know that for ours particularly, we do that, we work with the local people, especially with start-ups and especially with changing of ownerships and succession planning. Now what we have is a whole lot of people coming in, taking over these businesses that have been well established but they don't have a track record. We take those chances as well.

MS. ZANN: Are you noticing a lot more self-employed people walking through your doors? It used to be, it seems, that people started in a company, in a business and they stayed with that same company for 20 or 30 years and retired with that company. These days it seems to be much harder for people to try to land those kinds of jobs and there's no security, really. I would imagine that a lot more people are actually now coming through the doors that are showing the same signs that many of us have been doing for years and are self-employed in these other kinds of businesses. I always wondered if that would have to change the way that regular banks do their business, as well, because there's going to be so many more people looking to start new businesses.

MR. KEN MACKINNON: I would think it would change the larger banks. Right now I'm okay; it's doing well for us right now.

MS. KELDERMAN: We're not going to give them any advice.

MS. ZANN: Now what about young people, for instance? At the Nova Scotia Community College in Truro we have a digital animation program. They graduate these kids and they are very talented. Right now I know the Nova Scotia Community College is talking about having an incubation centre so that the kids who graduate can stick around

and meet professionals in the industry, work with professionals and try to come up with their own business plan for their own companies, starting up their own digital animation and gaming companies here.

Would somebody like that, who is a young person with no credit history, be able to get some help from the credit union?

MS. KELDERMAN: Absolutely. If you look at our statistical report you'll notice that 442 of our 1,109 businesses are for start-ups, so for self-employed folks walking in the door wanting to start a new business, and over 100 of the loans have been given to young people under the age 30, so that's 10 per cent of our portfolio.

MS. ZANN: That's really great.

MS. KELDERMAN: So very clearly, yes, we actually have some targets of priorities: women in business, youth in business, disabled, minorities, and then everybody else.

MS. ZANN: That was going to be my next question, actually. From talking to different women who have had certain negative situations dealing with banks, again a lot of women have told me that they feel they are having more difficulty getting loans from banks than their male counterparts, so what are you doing for women and disabled and diversity groups?

MS. KELDERMAN: Of the 1,109 loans we currently have on our books, 313 are to women, so that's about 30 per cent or so, so very clearly that's a priority for us. We're marketing specifically in those particular sectors, to agencies that work with women, for example, or work with youth. I think the numbers really indicate that we are meeting the targets.

MS. ZANN: I think that's so fantastic, it's really important. I just had a seminar in Truro recently where a woman came in - Margot Bureaux - have you heard of her? She had been an accountant or something like that but she was miserable in her job. She quit her day job and sat around for a while and thought, what gives me passion in life and it was tea, in fact, she loved tea. She said, well, how do you turn that into a successful business?

Then she went on-line and did some research and found these tea sommeliers, like wine sommeliers, and fast-forward, here she is now with her own business. Just Us! Coffee, she did the Maritime breakfast blend. They sent her over to India to do the blend. She advises people all over the world what types of tea go with what courses.

I brought her to Truro to talk to a bunch of women about how it's never too late to start a second career or a business and that no idea is too crazy. Now I'm sure she might have had a few interesting looks from people when she walked in the door telling them that she wanted to start a tea business, back before tea was as popular as it is now, but I think

that's a really good example. I think that the work you're doing is so important and I'm really grateful that you're here in Nova Scotia, and certainly intend to tell people to come and see you, so that package would be very handy. Thank you.

MADAM CHAIRMAN: Mr. Epstein, and then after that we'll start a very short second round with Mr. Colwell and I don't think anyone else has indicated. Mr. Epstein.

MR. HOWARD EPSTEIN: I just have a couple of very quick, small points. I wondered first - and this is probably for the deputy - about the exposure of the province under the loan guarantee program. If I followed your numbers earlier, the total outstanding portfolio is around \$22 million and if we assumed everyone defaulted, the province would have to make good on \$15 million to \$20 million, I guess in that order . . .

MR. SIMON D'ENTREMONT: That's a ballpark.

MR. EPSTEIN: So essentially just not much money at all in terms of potential exposure, we're not going to go bankrupt?

MR. SIMON D'ENTREMONT: In our historical experience, less than 5 per cent of that is the most likely exposure we have.

MR. EPSTEIN: I don't think I heard in the presentation whether there's an upper limit on this program in terms of total dollars available every year. I saw some upper limits on the subcategories, but I didn't see . . .

MR. PAYNE: There's no cap, it's just based on the activity level driven by the credit unions, but for an individual loan it is \$500,000; except under the social enterprise program it is \$150,000.

MR. EPSTEIN: Right, so that current total of about \$22 million sounds like it's probably what your experience has been over the eight or 10 years of the program, is that about right?

MR. SIMON D'ENTREMONT: It has been growing some.

MS. KELDERMAN: Overall we've been at about \$56 million; \$22 million happens to be the current, active account, so we've had some 3 per cent to 5 per cent default, and we have had \$15 million repaid in full, so we've been as high as \$56 million. We've just done a trend report from 2004 to 2011, so a seven-year report, and looked at the trends and, in fact, the program has been growing every year. Over the 2010-11 year we grew by 8.2 per cent or about \$8 million.

MR. EPSTEIN: Actually, my second question is for you, Ms. Kelderman. I'm a big fan of co-ops; I would like to see the sector expand. I just wondered, I understand there was

an international conference on co-ops in Quebec City a week or two ago and I wondered if the Co-operative Council had sent representatives or had anyone there.

MS. KELDERMAN: Ken and I were there, both of us were there, as were 16 other Nova Scotians. It was a conference with 2,800 delegates from 91 countries and every presentation was in six languages, it was incredible. If you're at our wine and cheese tomorrow night you will hear some things from the summit.

MR. EPSTEIN: I'm coming tomorrow, yes. Glad to hear it, thank you. Those are my questions.

MADAM CHAIRMAN: We'll go to Mr. Colwell very briefly.

MR. COLWELL: Just a couple of quick questions. Number one, I think the credit union is doing a great job with this and I always have and I think it's a good program that the province is doing. What interest rate do you charge on this program as compared to your regular loan? If I come in and can qualify for your regular loan as a small business or if I can't quite qualify and I have to go to the loan guarantee one, what's the difference in the interest rate?

MS. KELDERMAN: There is no particular interest rate that's related to the program, every deal is negotiated one-on-one with the credit union. If you're a good negotiator you can get a really good rate, but generally the credit union charges a premium to offer this program because it is much higher risk. Most of the loans that we have on the books at the moment are coming in - and you have to consider that a lot of these loans were issued when prime was much higher than it is now - are in the 7 per cent to 8 per cent range.

MR. COLWELL: Well, that's pretty reasonable for what you're doing.

MS. KELDERMAN: High risk.

MR. COLWELL: Yes, that's quite reasonable. I would ask the department, you indicated there was a \$20,000 grant - and I know you're going to send me information on this - for businesses to work with universities. Could you tell me a little bit more about that because I think that's a very important program?

MR. SIMON D'ENTREMONT: It is. We call it a Voucher Program, we have two streams - \$15,000 or \$25,000 and it has a few goals. Number one is for businesses to have access to funding to be able to develop or design new science, new technology, new innovation. Often they need to buy the services of either building a prototype, or doing some experiments, or doing some testing. At the same time - so we've got that need over there - we're having another conversation saying, there's lots of great R & D taking place in universities, and businesses should be able to take that R & D and commercialize it, make products out of it, and create jobs.

The problem is - our diagnosis of that problem is that universities and business people don't talk enough. Researchers and business people just don't have that connection often. Now, there are great examples, don't get me wrong - Ocean Nutrition and these types of things - but we need to have more of it. So we designed a program that forces the business person to go to a university or a community college and say, I want to buy that service from you - so it builds that linkage.

What we do is, we issue that program in quarterly rounds, so we issue a call for proposals, get them in and every quarter we go through a round. That has been a great program for us. It is mom-and-pop, small businesses; great distribution throughout the province. I think 56 per cent of them we did out in rural Nova Scotia. It's a great program and it's a great way to get business people and universities to connect.

MR. COLWELL: You have it capped at \$20,000.

MR. SIMON D'ENTREMONT: No, \$25,000, and I think we've got a mechanism where you can go back once?

MS. KUMARANAYAKE: The first round it's \$15,000 and then if you want to continue the relationship - maybe you have the basic stuff done and now you want to build a prototype, you can apply for the tier two and that's up to \$25,000.

MR. COLWELL: So you have roughly \$40,000 available with something that looks like it has commercial viability with it.

MR. SIMON D'ENTREMONT: Yes.

MR. COLWELL: That's very good; that's very positive. That's one that I hadn't been aware of, but I think it's a very good program.

I'm just going to wrap up and say that I've got a concern about this 90 per cent guarantee and the 75 per cent guarantee - a serious concern about that - just because it's treating different businesses differently and no other reason. I think the credit union is doing a wonderful job doing this. It's something that is badly needed and it's something that we need to probably enrich a little bit somehow or other. I don't know how you would do that; I know the credit unions have limits on what they can loan based on what they have on deposit. Hopefully the credit unions will grow rapidly with this so they can provide more loans to more businesses and, indeed, help our economy grow.

Again, I want to thank the credit unions for the great work you're doing and encourage you to do even more great work, and encourage the department to move that 75 per cent up to 90 per cent so all businesses are treated the same. I think that's a serious issue.

MR. SIMON D'ENTREMONT: Madam Chairman, maybe I could just make a comment. We've got some great analysis. Dianne and her team, and Chris on our team, are doing some great analysis of the program and we've demonstrated through our pilots that we're willing to innovate and think outside the box a little bit. I think as we go forward, there are a lot of opportunities to continue to analyze the program, take the types of issues that you raised and run them through our models and some analysis to figure out where the program needs to go in the future. I think there is a lot of room for innovation. It has been an innovative program and more pilots and more opportunities to take the program new places are all in the cards.

MADAM CHAIRMAN: Mr. Estabrooks.

HON. WILLIAM ESTABROOKS: Dianne, I want to compliment you, but never bring your lesson plan out during the middle of a presentation. (Laughter) I direct the members' attention to Page 7 and I'll just be a few moments, I assure you. I want to talk about immigration. Simon, I heard you speak a number of times about rural as opposed to urban. You see, I live in rural Nova Scotia - I live in the HRM, but I can tell you I live in rural Nova Scotia, so when you see a business run by an immigrant in Seabright, they live in rural Nova Scotia, and it is crucial to continue to remind ourselves of that. In my case, with the credit union in my community - conveniently located, let me assure you - it's just doing gangbusters and those people are to be complimented.

This is what I'd like to compliment you on; I don't know if you've seen this. This grabs people. This is the sort of stuff - and I think young Geoff MacLellan would understand that when you come into my office, you have to have lots of pictures, not necessarily with Bruins crests on them. (Laughter) This would be something that I would really like to see more of, this sort of stuff. The immigration program is doing exceptionally well and I compliment you on it, particularly the response of being able to help people in this situation - sometimes linguistically challenged and so on. The experience that I've had with two younger business people in the community who are immigrants has been absolutely outstanding, so I thank you. Thank you, Madam Chairman.

MADAM CHAIRMAN: Thank you. Mr. Orrell, you have the final word?

MR. ORRELL: Just a couple of quick questions. We were talking about defaults on the loans and it's 3 per cent. How many businesses would that take in under the umbrella? There are 1,109 businesses taking advantage.

MR. SIMON D'ENTREMONT: We've got it in the presentation, actually.

MS. KELDERMAN: It is 146, cumulative.

MR. ORRELL: Now the other question - is there a particular trend of what types of businesses are defaulting, or is that followed?

MS. KELDERMAN: Yes, it is followed and there is no trend, it's all over the map.

MR. ORRELL: And are there looks and ways and means of expanding the program or improving the program for future generations or future businesses that are going to change, because the way the technology sector is changing, who knows what is going to take place in the next three to five to 10 years? Is that program flexible enough to change with that?

MS. KELDERMAN: Absolutely. I mean, the beauty of it being a local credit union program is that we're in touch with the changes and the needs in the community on a daily basis. When we see those changes happening, we're able to go forward to the province and sometimes the province comes forward to us, as it was in the case of the high-risk and the forestry stream, or the social enterprise stream as an example - we're already thinking microcredit, we're thinking the relationship with the Farm Loan Board, the Fishery Loan Board. So we're constantly thinking ahead to see how we can grow our sector, the co-operative credit union sector, and how we can really be an agent of change in our communities. So we're looking forward to new opportunities.

MR. ORRELL: Thank you, and continue to do the work you're doing, appreciate it.

MR. PAYNE: If I can I just add one thing, from having processed all the payouts on the loans that did go bad, the most common factor I see is marital breakup on a small company because obviously people in these small companies, that causes a lot of stress. Also, if there's basically a two-person operation and they split, the assets split, that's by far the most common element I've seen.

MR. ORRELL: There's no preventing that. You can't predict that.

MS. KELDERMAN: That's beyond the parameters of the program. You'll be happy to know there's no one industry or sector where we're seeing - you know . . .

MR. ORRELL: That's good to know.

MR. SIMON D'ENTREMONT: And I think we've demonstrated, through our interest in the social enterprise sector, for example, that the social enterprise concept is a newer trend and we're trying to stay current with the trends that are taking place. There are neat new trends, like crowdsourcing and these types of things taking place, and we're keeping our eyes on those types of things as they mature, to see whether or not - we like to stay on the cutting edge of funding opportunities for business.

MADAM CHAIRMAN: Even though we seem to keep winding up, we have one more quick question from Ms. Zann.

MS. ZANN: Sorry, I have just one more quick question, about your agreement with the Farm Loan Board. Did you say that's about to take place?

MS. KELDERMAN: We're signing it at the wine and cheese tomorrow night. Your minister will be signing.

MS. ZANN: Great, and what exactly is the agreement?

MS. KELDERMAN: It's essentially an agreement that says we're going to work together to support the farming industry in Nova Scotia; we're going to joint-share financing opportunities. The Farm Loan Board will market the working capital and line of credit components of our program to their members. Wherever the opportunities emerge in any particular jurisdiction for us to support the farming community, that's what the MOU says, so we're going to actively do that by marketing, promotion, doing some deals, doing some pilots, testing some things.

In addition to the financing, one of the pieces they were really interested in was our mentoring network. They want to connect our mentoring network to their farming communities.

MS. ZANN: And to the young farmers, that's great, and Truro being the new hub of agriculture.

MS. KELDERMAN: Truro is where it originated.

MS. ZANN: That's great, thank you so much, I appreciate it.

MADAM CHAIRMAN: Our final, final - this is it. Mr. MacKinnon.

MR. CLARRIE MACKINNON: A very quick comment. I'm very pleased to hear the deputy expressing a willingness to look at a very, very good program to see if there are possibilities to change and that everything isn't carved in stone with this program.

In relation to Keith's comment in the 75 per cent versus 90 per cent, risk analysis is involved in so many areas - a 19-year-old male pays more for car insurance than a 19-year-old female. Risk analysis is something you have to do and I certainly value the fact that you have been willing to take a lot of risk but there are so many differences between rates that you have to really look at the number of loans you have out there and so on - so just to comment if I could.

MR. SIMON D'ENTREMONT: If I may comment on our willingness to look at new ways of doing business, interestingly our PIP program - which is our flagship program and our most successful program - is a redesign of a not-so-successful program called MPIC, which we tried to launch a few years ago. We had poor take-up, it wasn't well designed, and people didn't understand it. We changed it to the Productivity Investment Program, changed the criteria, changed how the program works, and now our demand is surpassing our supply of funding.

We've got a great team; Lilani and her team and all the folks we have are always looking for new ways of doing business and we try to keep up on current trends. It's a great opportunity for us to stay relevant to our citizens that we serve and our businesses for whom we're really motivated to try to do a good job.

MADAM CHAIRMAN: That sounds like a perfect wrap-up to me, but if there's anything else you would like to add . . .

MR. SIMON D'ENTREMONT: It's great to have the opportunity to come here and explain a little bit about what we do and it was a great pleasure to be able to do so. Thanks to everyone, Dianne and all my team, for coming along and helping us.

MADAM CHAIRMAN: On behalf of the committee, thank you very much for coming. It really was very enlightening and what I love about the whole approach is the collaborative approach and the thinking outside the box; it shows the way we have to be in the world like it is today. It's not the same old world; creativity and good business behind it make it all work. Thank you so much.

What we'll do is allow the presenters to move out and we'll just recess for a minute or two and then complete our committee business, which won't take very long.

[10:46 a.m. The committee recessed.]

[10:50 a.m. The committee reconvened.]

MADAM CHAIRMAN: Order, please. I'd like to reconvene everyone. We have our annual report; this was sent out to everyone. We've all had a look at it and apart from one person saying it looked fine, nobody had any complaints, so we need to pass it around so that we can all sign it. Can we approve the annual report?

MR. COLWELL: I so move.

MADAM CHAIRMAN: Would all those in favour of the motion please say Aye. Contrary minded, Nay.

The motion is carried.

The report is now approved and we'll submit that around so everyone can sign that. We're looking at our list of witnesses and we have the list from the NDP, the Liberals, and the Progressive Conservative Party will be submitting theirs and we'll look at that the next time.

MR. ESTABROOKS: I know my good friend the member for Clare was probably upset with me at the last Human Resources meeting when I sat in as the designated hitter, in terms of coming off the bench. I'd like to compliment the Liberals on the list because it

includes their suggested witnesses and it narrows down the subject which was not included on the list for Human Resources when I was in here last pinch-hitting for someone, that's absolutely great. The NDP list doesn't do that, so with Mr. Gaudet's compliment aside, it's important when we put the list in that we narrow it down and we have suggested witnesses there, because otherwise I'm not really interested in, as a committee member, approving something that I don't know the details of. The best example on the Liberal caucus list is No. 3.

How I understand this is happening, and I look forward to being on this committee regularly, we are going to take these lists back to our caucus and then return to the next meeting to decide which ones we have, correct?

MADAM CHAIRMAN: Yes.

MR. ESTABROOKS: If someone could note in the record that - Mr. Gaudet obviously has a great deal of influence - the PC list is not here yet and the NDP list should be in more detail, I would move that we take these suggested topics back to our caucus to return at our next meeting for final suggestions.

MR. COLWELL: Just on that point, do we have another meeting scheduled now so we've got . . .

MADAM CHAIRMAN: We'll discuss that right after this.

MR. COLWELL: Well, that's important to the motion.

MADAM CHAIRMAN: Yes, we won't be meeting in November because the House will be sitting. Hopefully December 11th would be our next scheduled meeting.

MR. COLWELL: So we're going to have another meeting to set. Have we got anything set for December 11th?

MADAM CHAIRMAN: The agenda setting, the topic setting will be it.

MR. COLWELL: Can we set one topic for December 11th?

MADAM CHAIRMAN: Right now we've got this motion on the floor, so let's - how are we feeling about that? Do we agree? Agreed - okay.

So what we're planning to do at our next meeting is to set the agenda and look at all of our topics and decide what we're going to do. You are suggesting that we have a topic.

MR. COLWELL: Yes, for next meeting on December 11th.

MADAM CHAIRMAN: We haven't decided the topics yet though.

MR. COLWELL: Our committee hasn't met for months and months.

MADAM CHAIRMAN: Well, there have been a number of reasons for that.

MR. COLWELL: It doesn't matter the reason, but for months and months we haven't sat. If we're not going to have a witness in on December 11th, that means we won't have anyone until at least January and then there will be one or two meetings and the Legislature will meet again, so the committee basically isn't meeting.

MADAM CHAIRMAN: The committee is meeting and right now we're setting our agenda and at our December 11th meeting we'll be getting our topics and meeting on a regular basis, just as we always do.

MR. COLWELL: Okay, but if we don't meet on December 11th, if the House is still sitting, we won't have a meeting until January, we'll set the agenda then and we'll be February, March, maybe have two meetings - maybe - and then basically we haven't sat except for one or two meetings a year.

MADAM CHAIRMAN: Is there any discussion?

Would all those in favour of the motion please say Aye . . .

MR. EPSTEIN: Hang on, was there a motion?

MADAM CHAIRMAN: No, actually. What we're trying to talk about now is what happens if we don't have a meeting on December 11th.

MR. COLWELL: Maybe I'll put a motion on the floor. Let's approve one item that we can talk about on December 11th and then continue with our agenda setting. I make that motion.

MR. ESTABROOKS: Madam Chairman, that's clearly contrary to the motion I made. I wasn't aware of the time meeting thing, Mr. Colwell; I understand the issue. Is there a way around this? I mean in advance, can we come up with a list or do we have to have a further meeting at that time? That's how we do it, is it?

MADAM CHAIRMAN: No, that's how we'll do it. So we have a motion on the floor, has it been seconded?

MR. MACLELLAN: I'll second it.

MADAM CHAIRMAN: Would all those in favour of the motion please say Aye. Contrary minded, Nay.

MR. ESTABROOKS: What motion am I voting on?

MADAM CHAIRMAN: He wants a topic for December 11th . . .

MR. ESTABROOKS: We're voting on Mr. Colwell's motion, are we?

MADAM CHAIRMAN: Yes.

MR. ESTABROOKS: Okay. I think you'd better clarify the vote, please.

MADAM CHAIRMAN: Would all those in favour of Mr. Colwell's motion please say Aye. Contrary minded, Nay.

The motion is defeated.

MR. ESTABROOKS: What about my motion? (Interruptions)

MADAM CHAIRMAN: We passed your motion.

MR. ESTABROOKS: I think I voted against it. (Laughter)

MR. COLWELL: Can I ask one more question?

MADAM CHAIRMAN: Maybe. (Laughter) Yes, of course.

MR. COLWELL: We had planned a trip to Daewoo, in Pictou, is that still going on? I haven't heard anything from the committee or the chairman or anything on that, and we had planned to go there with discussions.

MADAM CHAIRMAN: It was to come back to the committee for discussion and it was just sort of left in mid-air, really. It didn't happen in the Spring because I think one of the caucuses was having an off-site caucus planning session.

MR. COLWELL: Okay. Did it have anything to do with the fact that Daewoo is probably not even operating now?

MADAM CHAIRMAN: It had nothing to do with that at all, other than that's where it was.

MR. COLWELL: Now I'm still very interested in going and visiting that site, because that's hopefully a success story for Nova Scotia - hopefully - I really hope it is. Any idea when we might do that, Madam Chairman?

MADAM CHAIRMAN: We have to discuss that, I guess.

MR. COLWELL: Well, can we discuss it now?

MADAM CHAIRMAN: Yes - feelings?

MS. ZANN: When it's not cold. (Laughter)

MADAM CHAIRMAN: Mr. MacKinnon.

MR. CLARRIE MACKINNON: Madam Chairman, I would suggest that we go some time after the House finishes meeting and after Christmas, of course, so in the new year.

MADAM CHAIRMAN: Well, we still have things to investigate and figure out as far as timing goes and what the costs would be, if it's still something that the committee is interested in doing. So what we'll do is have a look at that and see what kind of numbers, what it would cost, just to investigate the whole thing, and then we can further discuss it. There seems to be a will to do that so that's fine.

Okay, so our next meeting date will be December 11th, hopefully, if the House isn't sitting. Is there anything else?

MR. CLARRIE MACKINNON: I move that we adjourn.

MADAM CHAIRMAN: We're complete, let's adjourn. Thank you.

[The committee adjourned at 10:59 a.m.]