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COMMITTEE

ON

ECONOMIC DEVELOPMENT

Thursday, February 19, 2015

LEGISLATIVE COMMITTEES OFFICE

**Department of Economic and Rural Development and Tourism
“The Community and Social Finance Landscape in Nova Scotia”**

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ECONOMIC DEVELOPMENT COMMITTEE

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Ms. Karla MacFarlane
Hon. Denise Peterson-Rafuse
Ms. Lenore Zann

[Mr. Ben Jessome was replaced by Ms. Patricia Arab]
[Mr. Gordon Wilson was replaced by Mr. Iain Rankin]

In Attendance:

Mrs. Darlene Henry
Legislative Committee Clerk

WITNESSES

Department of Economic and Rural Development and Tourism

Mr. Simon d'Entremont
Deputy Minister

Mr. Michael Johnson
Executive Director, Regional Planning and Development

Mr. Derek Harvey
Corporate Strategist

Mr. Dale Proude
Investment Manager



House of Assembly
Nova Scotia

HALIFAX, THURSDAY, FEBRUARY 19, 2015

STANDING COMMITTEE ON ECONOMIC DEVELOPMENT

9:30 A.M.

CHAIRMAN
Mr. Joachim Stroink

MR. CHAIRMAN: I call this meeting to order. Good morning, I would like to remind those in attendance to please have their cellphones off. I will now have the members of the committee to please introduce themselves.

[The committee members and witnesses introduced themselves.]

MR. CHAIRMAN: The discussion today is the Community and Social Finance Landscape in Nova Scotia, and I'll turn it over to you guys to start your presentation. Mr. d'Entremont.

MR. SIMON D'ENTREMONT: Great, thanks very much. It's great to be here today to talk about social and community financing, and I think a great opportunity to talk about a growing area in economic development - an area that we need to continue to pay attention to.

Job creation is going to be led by the private sector and I think social enterprise and community-based financed organizations are going to play an increasingly bigger role in helping to support that growth. The One Nova Scotia Commission also recognized the role of social enterprise in community financing as a best practice and a way to help grow our community strength in rural communities, and build capacity and keep money in the communities as well.

Our job is going to be to create the winning conditions for that economy to thrive and for that opportunity to thrive. We'll be talking about some of the things we have done and some of the opportunities that maybe are on the horizon, and we can have a conversation about what those are.

The benefits are going to be great. Obviously we are going to be supporting entrepreneurship, we're going to be supporting community capacity building, both infrastructure capacity and human capacity, and we'll be talking about the other types of benefits that come from this type of financing as well.

I've got a little presentation here - I don't want to strain people's necks. I don't know if people have copies or not or can follow along.

Today in the presentation we'll be talking about the landscape for social finance in the community. We'll be talking about some of the tools that we use in supporting this economy, some of the social finance tools. We'll be talking about community economic development investment funds and we may slip into CEDIFs from time to time, but we'll try to avoid the acronyms wherever possible.

We'll be talking about social entrepreneurship and social enterprise, the potential role that an organization like Invest Nova Scotia could help support, and we'll be talking about third-party delivery models like the Credit Union Small Business Loan Guarantee Program that we have and the opportunities that they present to support that.

First maybe a little bit on what community financing and social enterprise is. When we talk about community financing, we're talking about opportunities where the funding comes from the community to invest in the community opportunity. Perhaps traditional commercial lending streams aren't coming into play so maybe you need to access that local financing.

What's social enterprise? Social enterprise is a new and evolving topic, but one that is gaining a lot of attention. Social enterprises are organizations that have commercial, business-like operations, yet the goal of the organization is not to pay a dividend for financial return to an investor but to reinvest those earnings back into some philanthropic cause. So there's a good thing you want to support - le Transport de Clare, in Clare, Digby County runs buses for handicapped people. They raise revenues from that. When they get revenue, they don't put it in someone's pocket as a financial return, they buy more buses and get to reinvest. That's the goal of a social enterprise. Somewhere halfway, perhaps, between a business and a not-for-profit, and we'll be talking about the benefits of that.

There are other benefits to community-based financing. You have local control of the financing. You have more opportunity to influence where the financing is going and how it is being used. You may be addressing a commercial lending gap. We know that some rural communities don't have commercial lenders there or the commercial lenders have a lens of financial return. It's not their fault - that's their business. They say, I want to invest my money and I want to get a return from that, but is that - there are some investments you want to make in communities, maybe the financial return is not the only goal that you want to achieve - so how we attract the capital to invest in those types of things.

Some of the instruments that we use - we have community economic development investment funds. These are pools of capital that are created and they're incented by the province by providing a 35 per cent tax credit. So someone can provide up to \$50,000 in investment and get a 35 per cent tax credit to put investment in the community-based organization. We've done over 60 for about \$66 million over the last number of years and there are two types - they can be pools or special projects.

Let's say you have a community-based project and you want to raise funding. You can set up a community economic development investment fund. Multiple investors can put the money in and you can have a targeted goal. So let's say you want to invest in a wind turbine for power self-sufficiency in your community. You put up a community economic development investment fund - people who have an interest in wind power self-sufficiency may invest in your pool. People who are interested in other things may not. So that would be a pool designed for a special purpose.

Then there are blind pools whereby you just say, in our community we need access to capital to do good things and you want to raise a blind pool. That way, people just put money into a pot and then the fund administrators decide on multiple investments, so there are two ways that can happen.

What this is doing is - the policy background behind this is twofold. One, there are opportunities looking for money and there is money looking for opportunities. The opportunities looking for money is someone has a great project but the bank won't finance it because the bank is looking for a financial return and you think there is some other return. The money looking for opportunities is that people may have RRSP money that they want to buy stocks, bonds, or they have money in the bank and they don't know what to do with it. What's better than providing a local opportunity for them to invest in?

The benefits for community investing in community economic development investment funds - you can have access to capital for the organization, so it's good for them; there is the ability for you to invest your money at home so it's good for your community and it gets to retain capital in community so instead of the money - I mean, every one of our communities has some people who fortunately have money to invest and you want to invest it in your community wherever possible.

A new growing opportunity is social entrepreneurship and social enterprise. Basically when you have people who come together and say, how can we create a sustainable cash flow to support our cause? People have causes - they say, well if there is a business-like activity that you can run, for example, you might have something like a pool of people who are interested in advancing a social cause and they say, let's sell a product, get some money, reinvest it in our cause, and kind of keep the engine going. That way they create sustainability and cash flow. Like Just Us! Coffee Roasters, they're more than just making money; they believe in fair trade and they believe in certain types of practices. It's actually a co-op, and some of those monies are reinvested to advance the cause of fair trade and other types of causes that they are interested in.

We have a social enterprise program where we provide assistance to social enterprises. Sometimes they need capacity-building to help them kind of build up their business literacy skills, and there are other types of needs they have. We have a stream of the Credit Union Small Business Loan Guarantee Program focused on social enterprise as well.

Another instrument - we've got a newly-created Invest Nova Scotia that is getting off the ground. The board is meeting and they're having discussions about where they want to support the economy, what types of investments they'll be interested in. This is a potential area that may interest them and it may be an area where they may be interested in making investments to support business development. It wasn't designed specifically for social enterprise, but social enterprise is a growing type of entrepreneurship and business development that they may be interested in.

We have a Credit Union Small Business Loan Guarantee Program that's almost 10 years old. We have done over \$55 million worth of business and it is costing us generally less than 5 per cent loss rate to support the program. It's a great partnership with the credit unions, the decision-making is close to the ground. We provide a loan guarantee that we've increased from 75 per cent to 90 per cent for term loans in the last year, which is really getting the credit unions to take a little bit more risk than they might usually be interested in. For us, it's a very small cost to us.

Basically under the Credit Union Small Business Loan Guarantee Program we have our regular stream, which is 90 per cent for term loans and 75 per cent for lines of credit. For new immigrants and for social enterprise we have a 90 per cent loan guarantee, which again provides an opportunity for loans up to \$500,000, which again puts funding in communities and the decision-making close to the community as well.

Moving forward, what are the types of things that are going on? Number one, we need to continue to help people understand how this is important and how it benefits communities, to make it part of our regular talk in business development. We also need to focus on supporting leadership capacity and economic literacy. The last call I got from the chair of a social enterprise was to say, do you have any help to help us build administrative capacity in our organization? Our organization has great people with big hearts and lots of ideas, but we need people who bring a business acumen so this is something we need to continue to build.

We need to make sure that existing programming is available to social enterprise. We've gone through many years - decades - of designing programs for not-for-profits or for business. Then these social enterprises show up and they go to the not-for-profit financing and say, can we apply, and they say you are not eligible, you are a not-for-profit. Then they go to the business financing stream and they say oh you're not eligible, you're not a real business. So we have to make sure that these folks don't fall through the cracks, because they're a bit of both.

We need to continue to evolve to design policies and programs to make sure that social enterprises are available. We need to make sure that business licensing, taxation, and all the things that we are used to doing with not-for-profits and businesses, we design over time to be designed for social enterprise, which are maybe both and neither at the same time.

There are new, developing concepts, like crowd funding and so on, on the horizon that we need to turn our attention to that maybe we're just not ready for yet. Crowd funding is the concept that if someone wants to set up a business, they go on the web and just say, I'm willing to sell \$100,000 worth of my business, 100 shares at \$1,000 apiece, send me your money. Maybe that's fine but where's the money coming from? Who is it invested by? Where is it going to be taxed? These are concepts that technology has outpaced our ability to figure these things out instantly. Over time we'll have to continue to evolve. It's an evolving arena but with lots of opportunity. That's it.

MR. CHAIRMAN: Mr. Lohr.

MR. JOHN LOHR: Thank you for the presentation, Mr. d'Entremont. You didn't say anything about tax credits with CEDIF. Can you talk about where they were, where they are now, and where they are headed?

MR. SIMON D'ENTREMONT: They started at around 30 per cent, the tax credit, and right now they're around 35 per cent, which is competitive with other jurisdictions. I don't know, Derek, if you want to take over.

MR. DEREK HARVEY: There was a change in 2010, from the 30 per cent to 35 per cent. Other jurisdictions, the percentage is around the same but there are some different caps on the amount you can invest. Currently in Nova Scotia the cap is \$50,000 per year, per individual, so when you apply the 35 per cent, it's \$17,000 and \$500 is the maximum credit. The credit can be used over 10 years, it can be carried back three years or carried forward seven years, which is very consistent with some of the other programs and tax credits. It has been our experience with it so far that very few people reach that maximum \$50,000 per year; when you average out, the average investment is about \$12,000 per investor.

MR. LOHR: Where do you see it heading?

MR. HARVEY: I know it was kind of recommended in the Broten report, their tax group review, to look at the equity tax credits so the Department of Finance and Treasury Board would be kind of leading the review on the tax credits and anything that would follow from this or that would apply to the CEDIF program.

MR. LOHR: So CEDIFs in general, will you see them - I mean I know when they came out a few years ago there was a lot of talk about CEDIFs, and there doesn't seem to be a lot of talk in the media about CEDIFs at the moment, but do you see them continuing

to grow and gather momentum in a number of them and are they continuing to grow in importance or is interest in them waning? I'm just generally speaking.

MR. HARVEY: Yes, actually CEDIF is an exciting area, it's actually the CEDIF community. In the presentation there we have 60 active ones now, and this year it falls in the RRSP season so there are a lot of them active right now selling their shares and this year is the busiest year ever. We have 14 that are currently, actively selling their shares and trying to meet the deadlines for the end of the month for RRSP eligibility and there are a few more also trying to get in. So it's going to be our most successful year if you look at over time the trend has been going straight up in that amount of CEDIF companies, the amount of dollars raised and the amount of investors so it has been quite a success story for us to raise the capital in the local communities.

MR. CHAIRMAN: Mr. Rankin.

MR. IAIN RANKIN: My question is similar. I'm just trying to get my head around the difference between the tax credit for CEDIF and the equity tax credit, or is it the same program because they're both 35 per cent?

MR. HARVEY: Yes, the equity tax credit applies to various corporations and one of the corporations eligible is a CEDIF corporation, so private corporations are also eligible, they have different requirements for them. The CEDIFs are community-based, they're community economic development investment funds, so when you do your first offering as a CEDIF company, you need at least 25 investors so it kind of brings the whole community concept to it. It's just a different corporation, but private corporations are also eligible for the equity tax credit so that's a different side of things that Economic and Rural Development don't really work on too much, they apply straight to the Department of Finance and Treasury Board.

MR. RANKIN: But it's the same tax credit, it's just a different avenue of applying I guess.

MR. HARVEY: Yes, exactly.

MR. RANKIN: In terms of measuring the effectiveness of that, would that be with the Department of Finance and Treasury Board or does staff within the department measure in terms of what kind of return on investment we're getting from that?

MR. HARVEY: That's a good question. That would be mostly with the Department of Finance and Treasury Board because they would see the total impact of the equity tax credit. I am only kind of involved on the CEDIF side of things and mostly our role at ERDT is kind of working with potential CEDIF companies or the long-standing ones to work through the system, review its documents, and make sure they understand all of the rules and requirements that they need to follow to be able to be eligible for them. So the

Department of Finance and Treasury Board would be the kind of overall impact of equity tax credits.

MR. RANKIN: Does the department see value in any enhancement or greater targeting for that tax credit or, again, would that be more Finance and Treasury Board? I'm just thinking that the Department of Economic and Rural Development and Tourism would want to know the impact of further economic development if it's enhanced to \$100,000 cap and if it's targeted at certain areas, are there opportunities for that?

MR. SIMON D'ENTREMONT: I can jump in. Getting the benefits in the community is a trade-off between how much costs you're willing to do through generous tax credits versus the benefits that you get. A lot of the investment that we get through CEDIFs, it's clear to us would not be happening without having some mechanism like this. A lot of this investment is investment that wouldn't be financed through traditional commercial lending schemes. We see a lot of incrementality especially in support of our rural mandate that happens through our community economic development investment funds and the growing popularity of them, meaning that they're working as a mechanism to attract capital. Other jurisdictions are actually calling us, asking questions about how that CEDIF program works to see whether or not they can implement similar measures. So I think it has demonstrated itself as benefiting.

When we look at all our investments, we're developing within the department a more cohesive review of benefits for our programs that this will be part of measuring how we do in the future.

MR. RANKIN: Just one more quick question. If an SME were to get approved for a credit union line of credit, are they still eligible for the equity tax credit - can they take advantage of that as well?

MR. SIMON D'ENTREMONT: Eligibility for the equity tax credit, not all small- and medium-sized enterprises are automatically eligible for the equity tax credit.

MR. RANKIN: But I'm just wondering if they have approval through the credit line, are they precluded from being eligible?

MR. DALE PROUDE: No, there are no restrictions.

MR. CHAIRMAN: Ms. Peterson-Rafuse.

HON. DENISE PETERSON-RAFUSE: I have a question and whoever would like to answer it, it is with respect to a CEDIF program, the Wind4All program for wind energy. That particular investment program was established to work towards the 40 per cent renewable energy goals that we have. I wanted to ask - is that program guaranteed to continue the next number of years? How long will that be?

MR. HARVEY: The Wind4All is a CEDIF company that is involved in the wind field and there are quite a few of the wind companies that have taken advantage of using the CEDIF program. They also apply for the COMFIT program, which I believe you're referring to where they get kind of a guaranteed contract rate for 20 years on the electricity generated. That is a Department of Energy program and I don't know a whole lot about it. I know they kind of put things on hold right now and they're looking into it. That's the best I can answer you on that.

MR. SIMON D'ENTREMONT: Yes, that would be up to the Department of Energy and their policy around COMFIT to decide whether or not Wind4All continues to achieve the benefits.

MR. CHAIRMAN: Ms. MacFarlane.

MS. KARLA MACFARLANE: Thank you for your presentation and joining us this morning. I want to go back to my colleague's questions with regard to the tax credit. There is a potential business model that is being worked on in my area. There are actually a couple of Americans who are interested in investing. I'm wondering, would they be entitled to the tax credit or is there any benefit to them investing here? They're non-residents here - half the year or whatever.

MR. HARVEY: I'm not sure if I can answer the question totally, but the tax credit is on Nova Scotia tax payable so if they would have Nova Scotia taxes payable, there might be some residential requirements as well. The Department of Finance and Treasury Board does kind of run the tax credit side of the CEDIF program. They have to apply to them and they would review the applications.

MS. MACFARLANE: So the Department of Finance . . .

MR. HARVEY: Yes, it's on their website and there's a lot of information regarding private corporations applying to the equity tax credit as well as CEDIF corporations.

MS. MACFARLANE: I'm just curious with the regional enterprise networks that are beginning to set up, is there going to be any collaborative work with CEDIF? Has there been any open dialogue between them?

MR. MICHAEL JOHNSON: Thank you for your question. Yes, the regional enterprise networks are developing, as you know, across the province so I would expect that part of their mandate is to advance economic development within those regions so they would be working with those folks who would want to participate in the CEDIF to understand and help facilitate that process, bring those groups together. They could play a role in the support of that effort, for sure.

MR. CHAIRMAN: Ms. Arab.

MS. PATRICIA ARAB: I have a general question on social impact bonds and what sort of role you see them playing, if any.

MR. SIMON D'ENTREMONT: If any of my team can have more info - social impact bonds are a new concept that's developing. They've been tried in the U.K., some places in the U.S. The way the social impact bond works, or one of the models anyway, is that people put money into an investment pool that is designed to support an organization that maybe delivers services, let's say, on behalf of government. The way it works is - and it is very results-based - if the organization has really good success delivering those results, the more results they get, the more government pays them. Then some of that money flows to the investors. Basically the investors become the chair of the board and they drive the organization to results and, in turn, for getting good results government pays them good return on their bonds. It creates a very results-based approach and really drives those organizations to deliver good results.

This is a growing concept that I know that internally within government we've had people looking at this and talking about it. It's a model that is only maturing now, I guess, and had some success in some communities and in some areas less so. I'd say that it's an area that we're keeping an eye on but we're maybe not right around the corner. I don't know if any of you have any other further comment.

MR. CHAIRMAN: Ms. Peterson-Rafuse.

MS. PETERSON-RAFUSE: Thank you, Mr. Chairman. My question is about the Credit Union Small Business Loan Guarantee Program. I know that often - and you probably hear this all the time - in communities the smaller businesses have a struggle. We have never, I have never seen anybody, any government that has solved that funding problem for the small businesses in our province. They are really the backbone. The question that always comes up is, why is that? Are there too many risks? What is the problem, because of the fact that there's not a lot out there. When you see advertisements from banking institutions, it's truly not a reality - if you want \$1 million, maybe, but if you need a small start-up loan.

I know that we tout that the credit union is a place to go; however, there are also restrictions on those loans. Can you tell me what those restrictions are?

MR. PROUDE: Thank you, that's a good question. The credit unions deliver the program on behalf of the province. They are using their members' capital and they are applying their same lending criteria that they would with due diligence for good lending on small business. What the guarantee allows them to do is to take a bit more risk in situations where there may be one component of the business plan or the case from the small business that has a bit more risk, then the credit union is willing to take it on and use the guarantee.

The criteria, it has to be a good business plan, the same things you would see entering a regular institution - good management, opportunity for the business to succeed. If they are start-ups, they do start-ups so they look at the business plan and the opportunity. For existing businesses they look at the track record of the company but they also look at management and any future plans.

They really do apply their own lending criteria, they look for security, if it's available, to help. The guarantee we've seen in our experience in the last 10 to 11 years of the program is providing access to capital that otherwise wouldn't have been provided in a lot of rural areas and smaller places in Nova Scotia.

Are we providing financing for every small business that comes in the door? Likely not but we are seeing a 20 per cent growth in the program year over year so we know there has been growth in the program and we know small businesses are accessing it. The average loan size is between \$50,000 and \$55,000. In my understanding that's a small business type of loan.

The criteria may vary from credit union to credit union. There are autonomous credit unions but they still apply the same basic business principles when they look at a business plan. They do provide some assistance beyond that. If there are pieces that are missing in terms of management capacity or marketing skills, the credit union networks have access to some training as well, consulting that they can provide.

MS. PETERSON-RAFUSE: I understand, though, one of the challenges is that there are only particular types of businesses that they would fund so there's a gap in the business world. Do you know which ones those are that they will fund versus those they won't?

MR. PROUDE: I can tell you that most businesses are eligible under the program. There are some small exclusions under the program and they typically are around bars, taverns, and those types of establishments. For the most part it's very open, in terms of the type of business and the sector involved.

Credit unions still make the credit decisions so if they're not entirely comfortable with a business segment or sector, they can choose not to do the financing. Those may be some scenarios that you see in some cases, but for the most part, most business types and all sectors are eligible under the program.

MS. PETERSON-RAFUSE: One last, quick question, and it may not be specific to you, but I'm just wondering, in terms of small business has there been any movement in the area of really going out to the businesses, having a one-on-one consultation process and develop a strategy for these small businesses? As I said before, it's critical, especially in the rural areas and with the Ivany report to be able to grasp the resources that you have in your community, but I often find as an MLA, there really isn't the support there.

I appreciate the credit union program, but there are still gaps, so are there any plans to really tackle that? I'm sure you've heard it for years, too, the same as I have and maybe it's a perception - I don't know.

MR. SIMON D'ENTREMONT: It's a good point about asking businesses what they want. The Department of Labour and Advanced Education and the Department of Economic and Rural Development and Tourism over the last year have been going through our 100 business visits initiatives. What we did is we identified 100 businesses and we're dropping in and we're saying, tell us what we're doing right, tell us what we need to do, tell us what we're doing wrong - what do you need for help?

The classic "we're here from government, we're to help" but really with an open mind in terms of - what are the types of things that you need as a business? So we've been going around the province doing this as well; dropping in when we have the opportunity.

We've also been revamping within the department, clarity for business because one of the biggest challenges for businesses over the last few years is when they wanted assistance from the province they weren't quite sure who to call. Do they call the department? Do they call NSBI? Do they call Innovacorp? So last year we totally clarified that role. We put NSBI back in the lead in supporting business development efforts in terms of one-on-one business interactions.

We took half of our field staff and gave them over to NSBI, so NSBI has staff in the field and it's their job to play the lead on helping businesses. They have a number of tools at their disposition. They have the Capital Investment Incentive program, which can provide a rebate for capital investments. We also put trade all over at NSBI. I had half the trade staff in my department, half the trade staff at NSBI. We put all the trade staff over at NSBI - they're the lead on trade. So now when they have a field officer who drops in on a business, they can coach them on how to access programming, including the Credit Union Small Business Loan Guarantee Program. They have access to programming themselves; they can connect them up with trade missions. So we've really set up NSBI to be the lead. If you want venture capital, you go to Innovacorp. So we've clarified that - made sure that everyone knows what's going on.

MS. PETERSON-RAFUSE: Can we have that information and the contact information? I get requests all the time as an MLA, but I don't know who to send the people to. I never know who is in charge of what or who is a field officer. Are we able to obtain that information?

MR. SIMON D'ENTREMONT: Yes, we can follow up with that and provide some information and send it to all the members. Do I send that individually?

MR. CHAIRMAN: No, send it here. Mr. Lohr.

MR. LOHR: I totally get the CEDIFs and the 35 per cent tax credit that's really driving that, obviously. We've talked about social enterprise and I'm just wondering, what specific programs are available for social enterprises that would drive that forward? Do you know what I mean? What specific programs or policies are there for social enterprises?

MR. SIMON D'ENTREMONT: Sure, a few things at play. We have a small social enterprise program where a social enterprise may come to us and they may be asking for help to develop a business plan. They might want more financial literacy skills. So we do have a small program where we can provide the seed funding to organizations to help them get on their feet and do their planning and so on.

We also have the stream under the Credit Union Small Business Loan Guarantee Program to provide financial assistance to them if they want to grow. We've supported several social enterprises - The Carrot, for example, Stone Hearth Bakery - we've provided assistance in the past to support these organizations.

We've also been talking to the social enterprise sector around how to drive their sector forward and they've kind of put their hand up and said, we would like to have our own strategy. We were talking as a province - do we want to develop a social enterprise strategy and they said, we want to have our social enterprise strategy. So when you think that - our real message lately is that the private sector needs to lead job creation and we need to play a supportive role so we are working with them to help them develop their social enterprise strategy, and once they have that developed, we'll work with them to see how we can help them implement that and put that to good use.

MR. LOHR: If I was a social enterprise, clearly I would want something like a tax credit. Have they been asking for a similar tax credit to CEDIFs?

MR. SIMON D'ENTREMONT: They are still in a forming stage of figuring out exactly what they want - they want access to capital is a big issue. I'm not aware, I don't know if anyone has any knowledge in terms of whether or not they specifically asked for a tax credit but access to capital is one of their issues but we have the Credit Union Small Business Loan Guarantee Program.

I think a lot of their strategy is going to be focused around capacity-building because if you can build the capacity and the financial literacy and the business acumen, then accessing the funding will fall in place because you've proven that you've got the capacity to be able to manage it. Providing access to capital to organizations that aren't ready to handle it and don't have the business acumen would probably not be a good long-term strategy so we'd probably need to do the capacity-building first.

I think they'll accept that and admit that and readily put their hand up, looking for help for that.

MR. LOHR: I know the federal government is very interested in this topic too. Does some of it depend on what sort of programs come from the federal government on social enterprise?

MR. SIMON D'ENTREMONT: We certainly want to have an approach that is harmonized with the federal government. If they are playing in one arena we don't necessarily want to play in the same one, we'd want to have something complementary, so we'll be keeping our eye to seeing what the federal government does, to make sure we can do something that is complementary.

We also need technology to catch up for things like crowd-funding and these types of things. We're just not quite there yet in terms of working in multi jurisdictions with other governments.

MR. CHAIRMAN: Ms. Arab.

MS. ARAB: Before I ask my question I just wanted to ask - I don't typically sit on this committee so I'm wondering if we could maybe ask the respective members from each caucus to circulate the information that the department is going to provide to all of the MLAs, not just the people who sit on the committee, if that's possible. That would be pretty awesome.

I wanted to follow up a bit on Ms. Peterson-Rafuse's question on credit unions. I am not as familiar with the programs that you've been talking about but I know that I have a number of constituents who come to us on a regular basis with great ideas and looking for funding, looking for some sort of capital, and I have never known to point them in the direction of the credit union.

You talked a bit about what the criteria would be but I'm wondering what supports we have if someone doesn't have a fully-developed business plan, who are trying to put the application together and aren't 100 per cent sure of the best way to do it to be successful to be approved for the program.

MR. JOHNSON: Thanks again for your question. There are those situations that happen where they need additional support and to develop the business plan before they go to any of the financiers, whether it is the credit union or the mainstream lender.

We do have actually, Simon mentioned the NSBI staff that are now available to work with clients to talk to them about how they need to prepare and support that business planning process. Through our department we also have regional staff as well, they can help them, direct them to the right places to get that support.

We do have a small business development program that we offer that will help individuals apply for funding to develop a business plan, a business case, get that expertise so they can sit down with their idea, with their concept and develop a good, solid business

plan that they could take to the credit union or the lender they have a relationship with or hope to have a relationship with. There are different vehicles that both we can support and now that NSBI can help us with or help the client navigate through that process.

MS. ARAB: Just a quick follow-up; I was an educator prior to this life. There are a lot of students out there who have keen minds and are ready to get out and kind of take on the world. I'm wondering what supports we have for them or if there is any sort of a presence within the high schools and the universities to encourage and foster this type of business incentive?

MR. SIMON D'ENTREMONT: It's a great question and the same observation that we've had lately is we have conversations around entrepreneurship and how to encourage it. Then it doesn't take very long but we said we need to get to them early. Then we talk about post-university and we say well that's too late, we need to get to them in the university stage. Then we say well that's too late, so we've actually been looking, at the Department of Education and Early Childhood Development, at building financial literacy and entrepreneurship at the high school level.

I'm happy to say my Grade 12, 17-year-old daughter is taking entrepreneurship and spent lunchtime a month ago selling crafts and so on. It's great to see that. I think that's a trend that will continue and I think a growing recognition that financial literacy and entrepreneurship in schools needs to happen early.

We are partnering with the Department of Education and Early Childhood Development on a pilot called Brilliant Labs that has come from New Brunswick whereby teachers and students are given the tools to do entrepreneurship-like activities in the classroom and be able to take that abroad. We're working on a few pilots on that concept as well.

In terms of the university level, David Wheeler, who is President of CBU, and myself are co-chairing a committee on entrepreneurship at the university level. We've been meeting recently and we're going to be coming up with a plan. We've got every university in Nova Scotia represented on our committee by VPs academic and VPs of research, and we're developing an entrepreneurship platform for universities. There's such a great creative instinct and juices in technology and innovation taking place in universities and we're trying to create an opportunity for that to grow, including we've got our sandbox projects which we funded recently as well. By sandbox we mean kind of a playground in the university sector where professors and students all get together.

The best thing I heard recently was I met with the Canadian Ambassador to Israel, who was in the province and he said the neatest thing going on back home in Tel Aviv is that all the teenagers are talking about starting businesses, they're all excited about entrepreneurship. Wouldn't that be great if all of our teenagers spent their time talking about how to create businesses and having aspirations to do that? For David Wheeler and

I, that's our vision statement. If we can create an environment where kids are excited about starting businesses, we will have succeeded, we think.

MR. JOHNSON: Just a follow-up to your previous question, as well. Another area that can support small business development goes back to the previous question around RENs. And if people aren't aware, the regional enterprise networks that we're rolling out across the province, again, their mandate is business development-focused and they have private sector boards, so they have individuals on those boards that can help develop businesses in those communities across the province.

The staff that are working for the regional enterprise networks will be working directly with the business community, with business owners, with hopefully people who want to enter into business and become entrepreneurs so they will be able to help support and build that capacity. They will be a great asset on the ground across the province to work with people within those regions to provide advice, direction, and facilitate individuals down the right avenues to get the support they need and to access the programs they may want to develop. They will be working very closely with our regional staff, with NSBI staff, so they'll work effectively together to support economic development in those regions so it's another avenue for small businesses.

MR. CHAIRMAN: Ms. Arab, did you have a follow-up?

MS. ARAB: No, that's good, thank you.

MR. CHAIRMAN: Ms. Zann.

MS. LENORE ZANN: Thank you, gentlemen, it's great to see you here today, all of you. I've got so many questions.

Let's start with - I've been talking to some of the smaller communities that are trying to save their local schools and they need to come up with a hub model. Are you familiar with the hub model? So for instance in River John, they've got the community now very excited about several different enterprises that they want to get going at the school. One of them involves a café/arts gallery kind of thing and several other things as well. Would that be considered a small community group that could get together and possibly get some funding through a CEDIF or get some kind of investment and tax breaks? Would that be considered the type of community that could try to utilize what you are offering in these kinds of products?

MR. SIMON D'ENTREMONT: It will depend on maybe the details of what they do, but generally, yes, the concept of pooling resources and interest in building a business model around an asset that has some hope of self-sustainability down the road, would be eligible for some of these types of programs depending on the detail of what they do.

MS. ZANN: So they'd need to have a good business plan, obviously.

MR. SIMON D'ENTREMONT: They need a good business plan and need to show a path to some form of sustainability. Providing access to capital is okay at the beginning, but you need to have kind of a strategy. There have been trends in some areas - and I'm not talking about Nova Scotia, I'm talking about generally around the world - where the proposition of business-like activity has been a path to getting funding, but it hasn't been sustainable. The next thing you know, after a few years the money runs out and then you have to put more resources into it. Coming up with a good business plan and combining people in the community who have either the social or the creative, and so on, and combining that with a strong business acumen is probably a good way to get the best of both worlds in a business plan.

MR. CHAIRMAN: Ms. Zann, just a follow-up on that, sorry to interrupt, but Caledonia has a really good example of that. They've done that with their fire hall, and that community, you can reach out to Caledonia to see what they did.

MS. ZANN: Okay, thank you.

MR. SIMON D'ENTREMONT: Yes, we know. We supported that.

MR. CHAIRMAN: That's why I threw that on the table. Sorry, I know I was out of turn.

MS. ZANN: That's all right.

MR. SIMON D'ENTREMONT: You're the chairman, you're allowed.

MS. ZANN: So if somebody wanted to contact someone within the department, which part of the department would they talk to? Who would they talk to?

MR. SIMON D'ENTREMONT: Michael Johnson has field staff and we have people in every region who can respond to those types of inquiries. They can be kind of coached through the process of what they need for a business plan. They can connect those proponents in with whoever our specialists are in the office who have detailed expertise. Once they make the connection, we can help them on their way.

MS. ZANN: That's great to know. I'll definitely get your card and maybe follow up with you on that, thank you. Can I ask another question?

MR. CHAIRMAN: Go ahead, we're not as pressured for time this week. We don't have any committee business so I'm letting people speak a little bit more than I would normally.

MS. ZANN: And this is my first question. The other thing is, we used to talk about a business portal, we used to talk about that you could go through the portal and you can get to whatever thing you wanted. Is that still happening or did that go by the wayside?

MR. SIMON D'ENTREMONT: We've tried various types of web portals, for example, and some have had success. Keeping them evergreen seems to be a challenge in that you set them up and the minute you turn your eyes away from them for a second, three organizations change their phone numbers, two change their email addresses, one changes that they are no longer operating, and the next thing you know it's hard to keep them fresh.

Our experience as well is the added complexity, you make the website so complicated that people really can't find. My experience has been that if you pick up the phone and call one of Michael's staff and say, this is my idea, what have you got? Of the 500 programs that are out there, they could probably short-list you to five that you are really eligible for, much faster than you going through.

We're going through the same process in our department of simplifying our offerings. We're looking right now at combining our five trade programs into one program. Right now we've got a trade program to get you ready before you export and one to get you to your export markets, and that one market to help you. We're just creating too many streams, so we're going to collapse that into one program that can do five things. We're going through the whole department that way; generally we're going to reduce the number of program offerings and then you just call the program administrator, a real person, who can probably help you find out your eligibility . . .

MS. ZANN: What a concept, a real person.

MR. SIMON D'ENTREMONT: We've tried a few search features. On our website we've got a search feature, you type in what your idea is and it will kind of bring the list down, which is helpful but we haven't moved away yet from having a real person.

MS. ZANN: Thank you very much, I appreciate that.

MR. CHAIRMAN: Mr. Lohr.

MR. LOHR: I'm just wondering about the credit union program. I know that as a small-business owner you become very connected to the bank that you're dealing with. So to go to another bank to access a program, even though it's a credit union - I know you might say it's not a bank - it would be an impediment, I think, to some small-business owners to access this program. Banks try to hold on to their customers very tightly too.

I'm just wondering, is there any plan to expand your program with the credit union to the other main banks? Have those other banks expressed interest in the program?

MR. SIMON D'ENTREMONT: The federal government has the same arrangement with commercial banks. They have a program whereby banks can apply to a federal loan guarantee program that allows them access to a similar route.

I think we've ended up now in a situation where the federal government is dealing with the commercial banks nationally, it's a national program. We've got an arrangement with the credit unions right now - I think we're both playing in our arena - that probably works out.

We can't forget as well that the federal government, through the Community Business Development Corporations, provides similar social and community-based capital. There's about a dozen of those around the province that have community-based boards. They have a bunch of capital the federal government gave them, called community futures, about 20 years ago and they still manage those funds today. You can go to a Community Business Development Corporation in every county in Nova Scotia and have access to capital that again takes a little bit more risk and that has community-based control because the loan decisions are made by members of the board who are from the community.

I think between the Community Business Development Corporations, the feds with the commercial banks, and us with the credit unions, we've got a lot of coverage, I would say, of this arena.

MR. LOHR: Okay, good. My second question is maybe switching gears a little bit. You mentioned Invest Nova Scotia but you really only dealt with it very briefly in your presentation, Mr. d'Entremont. I wonder if you could flesh out for us its relationship to CEDIFs and social enterprise.

MR. SIMON D'ENTREMONT: Sure. Invest Nova Scotia, we've established it, we've established the board and they're having their meetings now. Invest Nova Scotia will be a little bit more than a yes/no decision-making board where you just go with a proposal and they say yes or no. They're a thinking board. They've been sitting now and having conversations around, how do we want to support economic development, what's our strategy?

The arena of how they could support economic development is this big. They're going to have to figure out of that what are the most strategic areas. They're doing that analysis now. We have a good cross representation of board members across the province geographically as well as different sectors, from the creative sector to mainstream business to an economist. So I think we're going to have a lot of breadth, which I'm hoping is going to lead to a lot of innovation in terms of how they'll want to support economic development.

For Invest Nova Scotia, their mandate is not to invest in businesses, meaning direct investment in for-profit business. Their goal is to create the winning conditions for

businesses to thrive. So the types of infrastructure that businesses or social enterprise are going to need may be the types of investments they'll be looking at.

They have some flexibility to go into loans and repayment arrangements, but not usually a strict for-profit business. In the social enterprise world there's maybe more room and more flexibility to do innovative things. I don't know, Michael, whether you want to add anything.

MR. JOHNSON: It is a very diverse board and they are looking at what they can do to support economic development in a very innovative way. Because of the diversity of the board - and we had our most recent meeting last week, talking about the principles that will guide their decisions. They've had a lot of information presented to them about the economic situation and the One Nova Scotia Commission work. So they've got really good background, but now they're talking about their role as Simon mentioned.

I'm very excited and encouraged by their thinking and it will be interesting to see what projects or what proposals come forward and they're going to be very open to - as Simon said, it's not just here's the proposal, present it to them, and they'll say yes or no. They're very engaged and they want to be engaged, so I think the social entrepreneurship and the social enterprise components of the work will be interesting for them as well. It's evolving, but I think it will be providing some great investments for the province in support of economic development, including social enterprise and social entrepreneurship.

MR. LOHR: Maybe you can't answer this question, but what will be the budget of Invest Nova Scotia? What money will Invest Nova Scotia have? What's the budget line? I suppose you can't answer that.

MR. SIMON D'ENTREMONT: No, we're going through the budgeting process right now.

MR. JOHNSON: We're working through that.

MR. CHAIRMAN: Ms. Eyking.

MS. PAM EYKING: Just to expand on Patricia's point as far as education goes, you're doing some entrepreneurship programs in universities. I've had the opportunity to tour some trade schools and I'm just curious if there is going to be any initiative to encourage some sort of level of entrepreneurship within the trade schools. There are a lot of students taking trades and they're looking for work and they're going out West, and that's not really all that stable right now. They'd like to stay in Nova Scotia. There's lots of work for them here, strangely enough. You can't get a tradesperson to do anything.

So I'm just wondering if we would have more sort of a brush on entrepreneurship in trade schools to help kids have the confidence to move forward to perhaps have their own business and hire people. That's my first question.

MR. SIMON D'ENTREMONT: That's a great observation. I should clarify that my committee with David Wheeler includes all universities and the Nova Scotia Community College. There are great examples like COGS, the Centre of Geographic Sciences. They're doing very entrepreneurial things: looking at the new economy, combining the web and geomatics and so on - so there's a lot going on there.

As part of our work, we're actually commissioning a small piece of research on all the best practices in Nova Scotia of entrepreneurship at the community college level and at university levels as well. There are different types of incubators that community college campuses are looking at building - for example, an IT incubator where you'd have a place where people could go and start businesses. So I think it's going to be a growing area. I agree 100 per cent that we can do more in the trades world on entrepreneurship.

Success for us, I think, will be when people don't choose entrepreneurship as an alternative to not being able to find a job working for someone else, which I think sometimes happens. I think we want people to choose entrepreneurship as their first choice and start their business that way. We have many successful entrepreneurs in the province to help with mentorship programs or another way where we can match up successful business people with people who want to be entrepreneurs. We need to keep working those angles and 100 per cent agree on the trade front. With the lower price of oil we may be seeing some tradespeople come back from out West, and finding opportunities for themselves would be important.

MS. EYKING: My second question is in regard to CEDIFs. There's talk perhaps of exploring the idea of having toll highways in the province and I'm just wondering if you would see the CEDIF model fitting in with funding toll highways.

MR. CHAIRMAN: Mr. Harvey, would you like to have a shot?

MR. HARVEY: Yes. The CEDIF model program is really designed for community-based corporations or businesses and for-profit organizations. Some of the rules around there are the limit of how many assets that company can have and it's limited to \$25 million. I'm not sure if a toll highway company would be eligible based on how much we know roads cost and what the assets would be for that. I was first thinking that it probably would not likely be eligible for the CEDIF program. With the toll highways I'm sure, with our experience with the Cobequid Pass group, is that government will be dealing with those companies individually versus going through a CEDIF type of program for tax credits.

MS. EYKING: I know it was really successful in New Zealand where the Nova Scotia Teachers Union owns a lot of the roads and they're reaping very healthy dividends on it so it's nice to see the dividends. It would be nice to keep it in the province anyway. Thank you.

MR. CHAIRMAN: Ms. Rafuse.

MS. PETERSON-RAFUSE: I have a couple of questions and they're different in nature. The first one is more on a constituency level. I have a non-profit community group that has started a radio station and they've been broadcasting in the summer months. They actually have received approval from the CRTC on their first application, which is highly unusual, so there are many opportunities within that community-based radio station for tourism and economic promotion and also they will be inviting seniors to be part of the programming and so forth, and those with disabilities. They are looking for some seed funding for their capital projects - they have some tower, electrical, electronic things that have to be put in place. Are there any avenues through your department?

MR. SIMON D'ENTREMONT: Community radio stations would usually be outside the realm of what we do in economic development. Certainly, our colleagues at Communities, Culture and Heritage might be an avenue they might pursue. If we could see a very clear link to the economic opportunities and so on there might be something that we could look at from a community development perspective. I don't know, Michael, if you've got any other comments.

MR. JOHNSON: It would depend on their business model and again, my advice would be to sit down with one of our regional staff who are now at NSBI and have the conversation and say this is what we hope to do, this is our business model, and they could probably provide some good advice. It could be CCH, it could be another department, but they could help guide them for sure.

MS. PETERSON-RAFUSE: That would be wonderful. Would I get that information from you? Should I get your card today, and your emails after?

MR. JOHNSON: Yes, and the package of information that we have committed to provide will have all of our regional contacts for us and we also have it for NSBI as well.

MS. PETERSON-RAFUSE: My other question is, as you know, each one of you probably worked under a variety of different governments and every government has their different philosophies in terms of business. One of the things that we're hearing a lot, and you even mentioned it, is that the corporations need to step up to the plate, that's the philosophy.

My question is, that hasn't happened for many, many years so what role is the government specifically taking to ensure that the corporations are going to step up to the plate and in what areas are you identifying what type of corporations and types of business and also what you're looking at for job numbers and that? Lastly, are you going to keep a record and have a statistical analysis to see in a year or two years if that is working and they are actually, because of the leadership of the government, stepping up to the plate and increasing job opportunities in the province? I know there's lots of things in there.

MR. SIMON D'ENTREMONT: That's a long question.

MS. PETERSON-RAFUSE: Thank you for your patience.

MR. SIMON D'ENTREMONT: Generally our approach to where we're going is having less focus on providing direct assistance to business as a way of getting job creation within the province. So less generous assistance to companies and more of creating the winning conditions for business.

The reality is that if we are going to get the investment from companies, if we're going to get them to come here and get them to grow - the private sector creates jobs; it's not our job, it's the private sector's job to grow jobs. We need to create the right climate for them to thrive within.

Where we're going to be focusing our efforts over the next few years is building the right regulatory environment for business. The Premier announced that he plans to hire someone from the private sector to come in and lead a regulatory reform type of agenda, and that's very important. Companies come to a province and then they need the permits to start up their business, the permits for operating - all the licences and so on. That can be daunting for business.

The onus on a small business is even harder because big businesses can hire people whose job it is to go through red tape, and for smaller businesses it is much more of a burden. So regulatory harmonization with other jurisdictions, between us and New Brunswick and our colleague provinces is very important, taking down trade barriers.

We have the odd, silly little thing - a truck drives in New Brunswick, they can't drive with a certain type of tire or they can't drive with another type of tire in Nova Scotia, or yet a first-aid kit in Nova Scotia has a certain number of Band-Aids and in New Brunswick it has a different number of Band-Aids. I mean we've got things that we just need to tear those things down, especially within the Atlantic Region where we are neighbouring jurisdictions and we are all doing business together, we've got to tear down all those regulatory barriers.

We have regulatory barriers as well between different levels of government. All the regulatory impediments that are there for business, those regulations were put in place for good reasons but it's the combined, overwhelming burden of all of them, the cumulative impact that is really hard. We need to find ways to make sure that we keep the regulatory burden at a reasonable amount and predictable.

Companies can wait six months for a permit if they know it's six months; it's when they've waited six months and they don't know whether or not they are going to get it tomorrow or in another six months. Getting that regulatory arrangement done really well will be a key part of what we do.

The Laurel Broten report also talked about effective taxation and regulation as well as a means of growing business development; we have to make sure we have the right type

of infrastructure on the ground. For example, we have been working with the Halifax airport over the last few years to extend their runway, to have access to more cargo. We've been working with the Port Authority and gave them some assistance to make sure they could have shore power for companies that want to burn less sulphur fuel, because of the regulations and so on.

We need to create the right winning conditions and have the right infrastructure. We set the stage for businesses to come and do their business. We try not to micromanage the business of business. We set up an efficient regulatory platform.

We do have to continually measure how we do and how the economy is doing and that's part of our job and we do that. We do have a challenge with attribution and by attribution I mean that when we change a regulation, how do we measure how many jobs that created? It is a real challenge. There's no way around it, because a change in the price of gas or a change in the federal interest rates or a change in the exchange rate actually has a much greater impact than our changes in terms of impact on the economy and impact on jobs.

The decreasing price of fuel, for example, of oil right now will probably have a greater impact on the in-migration and out-migration of Nova Scotia than our policy. So being able to attribute with all those variables, it's very hard.

We do know, for example, with the CEDIF program, we know how much money we have invested through the CEDIF program, we know we have \$66 million worth of deals and we do know that most of those deals when you're looking at them, if you asked a banker, would you have funded that, most of them are going to say no. So we do have a sense of incrementality in some areas; in others it's just a little bit harder. Certainly creating the winning conditions for business needs to be our platform. We need to create an environment where it's friendly for them to come in and do business and they can do well.

MR. CHAIRMAN: Real quick because Mr. Lohr is next, or you can come back around.

MS. PETERSON-RAFUSE: Okay, and then I'll come back to the same topic.

MR. CHAIRMAN: Yes, go ahead.

MS. PETERSON-RAFUSE: Winning conditions is a good attitude but there would be thousands of winning conditions that you're going to be responsible for in areas that are not just under economic development. For example, what I've heard from many businesses is the challenge of transportation costs within the Province of Nova Scotia and where it can often actually be cheaper for a business to order something from Ontario than even order it from our own manufacturer here in Nova Scotia.

I'd like to know how you are going to address the transportation issue because that's huge for many businesses.

The second part of that is, will there be any thought about some type of incentive in terms of businesses within Nova Scotia supporting businesses within Nova Scotia? I have one particular large business that said there should be an incentive for them to actually purchase their products that they need to construct and manufacture from the Province of Nova Scotia to support our own, but they don't do it because it's cheaper for them to have it transported from Ontario. I'm sorry, I tried to make it short but you can't do that.

MR. CHAIRMAN: I know that's hard for you.

MR. SIMON D'ENTREMONT: Multiple choice questions. I would say that generally policy of governments has been moving away from transportation subsidies. There were transportation subsidies, the federal government used to have subsidies to transport grain for pig farmers from out West and so on. There has been a general trend to move away from subsidies. I'd say we're generally moving away from direct incentives to businesses as a way of supporting business development. If businesses to compete can get it cheaper somewhere else, then those are realities we may not be able to incent our way around and make things that are uneconomic for them and try to make them economic to them by providing taxpayers' dollars for incentives. It may not be a very sustainable way of doing it.

We do have tools, Nova Scotia Business Inc. does have tools for business development. They can provide loans, they can provide payroll rebates for companies that may be thinking of setting up in another jurisdiction to be able to set up here.

We are limited practically by trade agreements to provide programs that say Nova Scotians are eligible but others are not. We have trade agreements. Basically when we sign trade agreements to have access to other jurisdictions, we make them sign something that says you are not going to do anything that favours your companies because we're trying to get access to their markets and we have to do likewise for them. So when we sign trade agreements to take down these trade barriers, we have to sign agreements with other jurisdictions that say you are not going to favour your own because favouring your own would be a sneaky way of getting out of your trade agreement. We need to sign the same agreements so we're not permitted to create incentives that say you need to be Nova Scotian to be eligible.

MR. CHAIRMAN: Ms. MacFarlane.

MS. MACFARLANE: I know you mentioned a number of times now creating the winning conditions. We all have different opinions on that and I truly appreciate some of the ones you have listed here. Taking all those moving parts, though, will take years for them to sort of streamline them. I think we have to do it, don't get me wrong.

As a small-business owner all my life, it has always been in my mind that what I hear out there is that the quickest way to ignite economic growth in Nova Scotia right now is to lower power rates and to lower taxes. Wouldn't that be something that is quick and simple and we would see results right away?

MR. SIMON D'ENTREMONT: We're drifting out of my area of expertise. I would say Laurel Broten provided a whole report on taxation, we can read that. It's not my place to comment on the province's tax policy, although business development taxation is usually not the first question asked of someone like NSBI, before I talk to you, what's your tax rate?

Interestingly enough their most common question is, do you have the labour force that I need to start my business? They actually say, do you have 50 welders? Do you have 25 people who know how to program in SAP? Having a qualified workforce, I think, is the new "build it and they will come" as opposed to the traditional have a building for you to move into.

To that point, the one comment I'll make on taxation is that because attracting the qualified workforce is the number one thing companies are looking for when they set up here, they actually ask what the personal income tax rate is before they ask what the business tax rate is, and the cost of housing. They are more concerned as to their ability to draw a workforce here and retain it than they are about what the cost of taxation is going to be for their business. Generally and internationally Canadian taxation rates are competitive.

MS. MACFARLANE: Thank you, I appreciate your answer.

MR. CHAIRMAN: Ms. Lohnes-Croft.

MS. SUZANNE LOHNES-CROFT: Thank you. At the last meeting I didn't even get a turn to ask a question. Anyway, going over the documents we received prior to this meeting, there's reference made to RRSP spots approved. How does that work? Does that mean I can use an RRSP?

MR. HARVEY: That would be related to CEDIF shares. The CEDIF shares are pre-approved to be held in self-directed RRSPs. There's the Canadian Worker Co-op Federation, a leading group in Nova Scotia - they're a national group, but within Nova Scotia in particular, they work with a lot of the CEDIF companies to hold the shares in RRSPs, so they are RRSP-eligible that way. So you get your tax credit, but you also get some additional tax benefits by holding the shares in the RRSPs.

MS. LOHNES-CROFT: Oh, the shares are held in RRSPs.

MR. HARVEY: Yes, as an investment.

MS. LOHNES-CROFT: Okay, but I can't use my own personal RRSPs as the investment, if I was an investor. (Interruptions)

MR. HARVEY: That's the tax equity credit.

MS. LOHNES-CROFT: That would be my cash investment.

MR. HARVEY: Yes.

MS. LOHNES-CROFT: Another question - is there a watchdog or someone who follows up with these investments and makes sure that the board of directors are functioning the way a board of directors should and that shareholders are receiving the information?

MR. HARVEY: Yes, the CEDIF program is a fairly unique program, I guess, the way it's structured. I'm kind of seen as an administrator for it for the Department of Economic and Rural Development and Tourism; I provide advice to potential CEDIF clients, and existing ones as well, but I also work closely with the Department of Finance and Treasury Board around the tax credit. The Nova Scotia Securities Commission provide the rules and regulations for investors and investing companies and the CEDIFs. They would work with the Securities Commission to meet all of their rules and requirements. The regulations are actually Securities Commission regulations.

They are the oversight bodies and they're quite involved. They've recently redesigned their whole website and for CEDIF companies, it's really easy to get around and they have a FAQ section and all the forms that they need. They're really involved and they're a good organization for answering questions as well.

MS. LOHNES-CROFT: Okay, great. Thank you.

MR. CHAIRMAN: Ms. Zann.

MS. ZANN: Also, talking about winning conditions and setting up the stage to create a way for infrastructure to help with new businesses and businesses - in our last meeting, we had a presentation from the creative industries, from Lisa Bugden and several of the people in the film and television industry. We were talking about the fact that we really could use a soundstage to further our film and television industry. During the winter months most of them don't shoot because it's too brutal; whereas if they had a great big huge hangar where they could turn it into anything they want they might be here all year round, which is what they do in other cities and jurisdictions.

Is there any way that we can get some help through you and through the department for creating the winning conditions for something like a soundstage here in Halifax?

MR. SIMON D'ENTREMONT: That would be an idea you might present to someone like the Invest Nova Scotia board. They'll have the ability to invest in infrastructure. I'd say the trick there would be to build a business case around it where you can show that the economics work in terms of being self-sustainable, accessible - that it would basically get used and would kind of carry its own weight in the long term.

I think our observation is similar to yours. When you look at different sectors, they all need different infrastructure for their winning conditions. If you talk to the agriculture sector, they need expertise in crops. So they all need different things.

MS. ZANN: The other thing is, you mentioned about the creative industries a little bit earlier in your presentation. What are you doing to actively reach out to those creative industries in our small communities, for instance, that may need some help that are not not-for-profit? Do you have help that's for the not-for-profits as well as the for-profits?

MR. SIMON D'ENTREMONT: Probably that would have been a better question for Lisa Bugden of Film & Creative Industries but that is their mandate, to be a business development agency for the creative sector. I don't think they discriminate in terms of for-profit or social enterprise. They have programming to help organizations get themselves on their feet, do trade development, access trade shows and so on. They are actively in that business.

MS. ZANN: But you work with people that are for-profit, so artists that are for-profit and are not-for-profit and wanted investment in their business, would they be able to come to you?

MR. SIMON D'ENTREMONT: Yes, Film & Creative Industries would be working with them, as would, if they get sophisticated enough and have the ability enough, they could even be working with NSBI and then be treated like any other business.

MS. ZANN: Yes, because I'm talking about things that are not like necessarily film and television, that are more companies that travel around the world. Actually in one particular instance in my hometown there's the Maritime Marionettes. They travel all around the world and perform for kings and queens, for children, and all kinds of things. They are talking about wanting to create like a theatre, a puppet theatre in our town, which would be fantastic. They have been going for 40 years now and they are a for-profit company.

MR. SIMON D'ENTREMONT: We have programming and NSBI has programming for for-profit business. I'm a big fan of the creative sector; if you take Michique in Cape Breton that makes clutches - I even know what a clutch is - and purses. I'd love to have a couple of hundred businesses just like that in our province, started in the basement, great creative talent, good entrepreneurs, taking advantage of something that is uniquely skilled, and that we can take around the world and it would be world-class. I would love to have the communities full of businesses like that.

MS. ZANN: Thank you. You'd look great with a clutch, one for every tie.

MR. SIMON D'ENTREMONT: I'm not sure it's my thing. (Laughter)

MR. CHAIRMAN: Mr. Lohr.

MR. LOHR: I'll just change direction a little bit maybe to your comments about your department trying to consolidate its programs down. I know as a business person myself, there seems to be a confusing array of government programs or opportunities at any given moment and I can really appreciate what you are saying about trying to consolidate that all down so it's more straightforward.

My question is, I asked earlier about Invest Nova Scotia and I think it sounds like it's sort of in search of a mandate. I wonder if that isn't flying in the face of trying to consolidate government - you've got NSBI and Invest Nova Scotia and where do they both fit in? Is Invest Nova Scotia just recreating what NSBI does? I wonder if you could contrast those two and explain to me why we need Invest Nova Scotia if we have NSBI already.

MR. SIMON D'ENTREMONT: The way we've organized ourselves is to have a differentiation that NSBI does the one-on-one business development. If you are a business looking for assistance, you call NSBI.

Interestingly, there are a number of other organizations involved in economic development: business associations, universities, community college, municipalities, consortia of businesses, the First Nations communities, social sector - they're all looking to support economic development as well. What we wanted to do was keep things clear; NSBI does the one-on-one businesses and we do everything else. On the "everything else" there's quite a bit. There's all the building winning conditions, there's infrastructure, there's supporting innovation, R & D, commercialization.

The way we've defined it is they do what we call business development and we do what we call economic development. So business development is dealing with businesses one-on-one and we do everything else, of which there's still quite a few things to do to support the workforce, support innovation, universities, community colleges, and so on.

MR. LOHR: I just heard you saying that the soundstage would be something that Invest Nova Scotia would look at.

MR. SIMON D'ENTREMONT: Possibly, it could be within the arena of the type of thing they might be interested in, in terms of supporting infrastructure for one sector. They wouldn't do it probably if it was like a commercial business that wanted to come in and say I want to set up a soundstage business, we'd send them to NSBI. If it was a consortia of people coming together or a business association or a not-for-profit or social enterprise, it would be more Invest Nova Scotia.

MR. LOHR: So Invest Nova Scotia will work with social enterprises then, that's what you are saying.

MR. SIMON D'ENTREMONT: It's within their mandate if they choose to do so.

MR. LOHR: But the mandate is yet undefined.

MR. SIMON D'ENTREMONT: No, we have within the Act provided an arena within which they can act. They can't do equity, they shouldn't do straight business development, loans with businesses. We've defined the types of things that are within the scope but within that they've got some room to do some strategy, to figure out what are the strategic sectors, where are the areas they believe they can drive the economy - with our support of course.

MR. CHAIRMAN: Mr. Rankin.

MR. RANKIN: Just a quick comment, I guess, to back up what you were saying about the comments on protectionism. Our economy here is so small that if we were to try to shut down and subsidize our own businesses, it just wouldn't work because we don't have a market big enough for our export industries. I mean, the whole Canadian market is based on exports; it's like 80 per cent of our GDP. So if we're going to shut down and try to subsidize our own companies, then we're not going to have access to the markets we need access to. It's proven all over the world that protectionism just doesn't work.

This idea of signing cheques and subsidizing businesses has added \$3.8 billion to the debt over the last four years, so I don't think there has been much of a return on investment on that.

MR. CHAIRMAN: Ms. Peterson-Rafuse, over to you.

MS. PETERSON-RAFUSE: I have another open question for whoever wants to answer it. Talking again about the winning conditions, I understand what you said in terms of focusing on regulations and taking down the trade barriers. I agree that is a good start, but once again - and I don't want to be negative - there are many other areas that are going to create winning conditions in the province. I would think that part of that is to ensure that there is an open-door policy between all the different departments in government.

For example, when you say "winning conditions," what are the winning conditions for students in university right now? I've talked to several and they're really disappointed in the fact that tuitions most likely are going to go up again. They're not being heard. They're not even involved in the MOU process.

So my question is, what framework do you have set up with your department that meets with other departments like Labour and Advanced Education and Energy to take that holistic approach, because as you said in one of your comments, that's outside of your area.

Well some of those “outside of your areas” are really critical places that changes need to be made within government funding, supports, or in the strategy that they’re taking.

I’m going to give you a quick, prime example that I’m dealing with in my constituency and that’s in the Ingramport area. There’s the possibility of clear-cutting three huge lots that the community has worked very hard with Economic and Rural Development and Tourism to create - not just Rails to Trails, but also a Rumrunners Trail. They’re going to lose all that. So that’s two departments not even talking together about investments one is making and the other one is taking away. What is your department doing to bring all these forces together and have discussions?

MR. SIMON D’ENTREMONT: That’s a great observation. It actually mirrors a conversation we had yesterday. One of my deputy colleagues who is responsible for a certain sector of the economy said we’re talking to several companies - we need to make sure that we’re all in the same boat. So we invited TIR, ourselves, NSBI, and a number of departments together and said let’s make sure we have a cohesive, holistic approach with this sector.

The conversation we had yesterday is, we are at our best as a small jurisdiction when we use our small size as an advantage for us. One of the best ways we do that is when all the departments are able to pull themselves together and meet with companies, to have one meeting with all the departments at the same time. When it has happened, it has worked beautifully.

So a company from another country recently called NSBI and said we’re interested in setting up there, can we go and meet with you? They showed up at the meeting and we had the Department of Energy, the Department of Environment, NSBI, ERDT, and everyone was there, and they had the one meeting. At the end of the meeting they said this was fantastic; we just came from Quebec and we had to have nine meetings to accomplish everything that we did at this one meeting.

So we were talking about this yesterday, about using our small size. I think even though there are sometimes disconnections between departments, I’d say we have better cohesion than most. I used to work for Economic Development in Yarmouth and I knew who the Department of Environment person was and I knew who HRDC was, and so on, and we would pull people together.

I’m a big fan of co-location, especially in rural Nova Scotia. I worked in Yarmouth - I worked for the federal government for ACOA, Economic and Rural Development and Tourism was there with me, as well as Community Business Development Corporation and Service Nova Scotia. Companies would come in and we’d have the one meeting. One department said I’ll take care of this, and the other department said I’ll take care of that.

We can always do better. As a department to make sure that we have policies that are well aligned, I chair a committee of about 10 deputies in economic development, the

ones whose mandates touch economic development. We meet every two weeks and it's talking about how we, as a collective, make sure we deliver the goods for businesses and for economic development.

So there's kind of two levels. At the deputy level we make sure we have consistent policies and we have a good plan, and at the operational level we need to make sure our people talk, so we've been doing that. For example, recently Labour and Advanced Education had their field staff in town, we brought our field staff and we had a joint day between Labour and Advanced Education and Economic and Rural Development and Tourism, to make sure that our folks know each other and that they're talking.

It's a great observation but we can always do better. I think we do pretty good because we're a small jurisdiction and in rural Nova Scotia we have lots of co-locations, which we're actively trying to support. When Michael and I discuss the location of our staff, if we have new staff or a new location, the first thing we ask is who else is in that area and if there's room next to them, we'll go huddle up next to our partners.

MS. PETERSON-RAFUSE: Thank you very much, and I'm really glad to hear that you have that dedication to make that work, because it takes extra work to do it and that's probably why it's hardly ever done.

I'm just wondering from an MLA's perspective, in terms of - I'm privileged to be an MLA and to represent everybody and everybody of whatever political Party they support. So sometimes I find it very difficult because I'm working on maybe an economic development idea or something that's going on with a business that is having difficulty and you can see that there's a number of departments that need to come together and you're trying to fit those pieces together. Is there a conduit that we can go to? Would it be yourself or somebody in the department that I can just pick up the phone and say look, this particular project or this particular issue involves a number of departments?

I'll use the Ingramport example again because if Economic and Rural Development and Tourism have been involved in this project in developing trails, and so forth, in the area and then another department is making a decision that's contrary to that, how do I, as an MLA, make sure I can get all those players together to benefit the community's wish for consultation and for more information? Do we go to Economic and Rural Development and Tourism if it's something that fits there?

MR. SIMON D'ENTREMONT: I would say, if it's a time that you just feel stuck and you don't know where to turn and it's related in any way to business or community development, I mean you can give us a call and we can certainly try to untangle things or make sure we bring people together.

We're not a type of shop that if you call and we look at our programs and we say sorry, you're not eligible, we're not going deal with it - that's not the way we do our business. We measure our results not just by how many times our program offerings are

used, but what kind of results we've gotten and how many times we've been able to make a difference. So if you're ever stuck give us a call, and back to the list of our field staff that we'll give you, they can try to untangle things for you.

MS. PETERSON-RAFUSE: So just quickly, if there's a concept that is brewing and it's like the Ivany report - if we're going to go forward, it needs to come from the community but it's like a plant, as you know, you water it, and I see the government departments as the ones with the watering can to help it grow. So if there's a concept there and there's not a business plan yet, can we still come to you and ask for some assistance in how we go forward with that particular project?

MR. SIMON D'ENTREMONT: You can. Our staff will sit there and help you build the capacity, coach you on what a business plan looks like, what types of concepts you need, and certainly we're able to do that.

MS. PETERSON-RAFUSE: I appreciate that.

MR. CHAIRMAN: Ms. MacFarlane.

MS. MACFARLANE: I'm not sure if Mr. Johnson can answer this question or not, but to the benefit of all of us here - I know that Ms. Arab was asking the question earlier, wondering where resources are within our own constituencies to help people start businesses. One place that I go to often, especially for people who are setting up real small businesses, is NOBL - Northern Opportunities for Business Limited. They've been a great resource for many people in my constituency. Once again, very small businesses.

I'm just wondering if you can suggest now to anyone else around the table what may be in their areas or am I the only one that has access to that.

MR. SIMON D'ENTREMONT: NOBL is one of the community business development corporations I mentioned earlier funded by ACOA. There's one in every county pretty well, I think, around Nova Scotia. They all go by different names: the Yarmouth County business development corporation in Yarmouth; the Shelburne County business development corporation in Shelburne - so they're all around.

MR. PROUDE: There are other sister agencies that provide assistance to start-up entrepreneurs or women in entrepreneurship. CEED is another program out of Halifax and they have a lot of reach across the province as well that has access to supports and business counselling for people starting a business or expanding a business.

MS. MACFARLANE: I just want to make sure that would be included in the package that you send of the list of places that we can tap into to find assistance.

MR. JOHNSON: Just to follow up, we're also rolling out - through our international commerce group, we had a mentorship pilot that we ran in co-operation with the Greater

Halifax Partnership. Again, it was people who are business leaders, willing to mentor other entrepreneurs; that has been quite successful. Recently we rolled that out to - we identified two other areas that we felt we'd like to pilot that further outside of metro. So the Pictou chamber, with Jack Kyte, we're working there and got some very positive feedback recently about that model working well to help business development and young entrepreneurs. We'll also be working with the Cape Breton Partnership to deliver a similar program in Cape Breton. But we're seeing very good success - again, businesses helping businesses in development, so that's very encouraging as well.

MR. CHAIRMAN: Ms. Lohnes-Croft.

MS. LOHNES-CROFT: You had spoken earlier that passion isn't always the thing that makes a CEDIF survive - you need more financial literacy and board members. I'm thinking of the recent education review and the minister has certainly pinpointed financial literacy as being a future requirement for high school students, and also that she's very interested in Junior Achievement. Can you see your departments collaborating in really making this evolve?

MR. SIMON D'ENTREMONT: We already provide funding to youth entrepreneurship organizations around the province. We provide funding to the Centre for Entrepreneurship Education and Development, and several youth initiatives. We've partnered with Junior Achievement before so I think we'd be very interested in working with youth entrepreneurship groups, working in high schools or otherwise to help support this type of activity.

As I mentioned, we're doing a pilot now with Brilliant Labs so we've got initiatives like this on the go and happy to do more. I think they're a great place to start.

MR. CHAIRMAN: Mr. Lohr.

MR. LOHR: I'm just wondering, I can see the landscape of ERDT, with CEDIFs and I know social enterprise is just starting. You have Invest Nova Scotia just starting, there's NSBI, and you have third-party funding. I know if I think back to the past year, probably the most significant piece of business funding in the province has been the Yarmouth ferry. Clearly that ferry impacts a lot of different businesses across Nova Scotia. I'm just wondering how having the ferry, how the funding to the ferry - I believe it flowed through ERDT - which part of this landscape did that funding flow through or is there another piece of this that I don't see?

MR. CHAIRMAN: You don't have to answer this question really, but if you want to, go ahead. It's not really on topic of the discussion of social enterprises so that's up to you.

MR. SIMON D'ENTREMONT: Thanks. The original investment in the Yarmouth ferry was done through the Nova Scotia Jobs Fund, which doesn't exist anymore.

Assistance since then has been using something we call development agreements that we've used in the past to provide subsidies, for example, with Cape Breton rail or the Digby-Saint John ferry in the past.

MR. LOHR: A development agreement would be part of ERDT, so is there a development agreement program or is it just something that's . . .

MR. SIMON D'ENTREMONT: It's a financial mechanism we have access to.

MR. LOHR: So it exists outside of any of these?

MR. SIMON D'ENTREMONT: These are just some of the tools that we have and we have certainly a number of others as well.

MR. CHAIRMAN: Ms. Arab.

MS. ARAB: I just want to go back to our conversation on credit unions and on the funding for new businesses starting up. In the slide, one of the groups that can come up to the credit union are new immigrants, and you mentioned the business leaders mentoring program. I'm wondering if there are any partnerships with English as an Additional Language, when it's not a primary language, if there are language barriers. Have you reached out, do you have any partnerships with groups like ISANS or YMCA, or do you do any work with the Office of Immigration?

MR. JOHNSON: I had the pleasure of working in the Office of Immigration for a couple of years before joining Energy, and then Economic and Rural Development and Tourism - I can't hold a job. (Laughter)

Yes, it's a very important part of our business community and immigration is an important part to the province in many ways - diversity - but from a business lens, we've worked again through the credit union program. As you can imagine, immigrants coming to the province from another country have no credit rating because they haven't been here, they haven't been able to establish one. That was one of the main drivers when we were at Immigration, to pilot that initiative. Since then it's becoming part of the mainstream program offering through the credit unions and it has been very successful.

The Office of Immigration also provides funding support, or has when I was there and I assume still does. It has a relationship with formerly ISIS - working with English as an Additional Language and providing those supports. Also they have a great group in their organization that helps attach people to the labour market and they also have great support on business development. They have really solid programming that's recognized both here and internationally; they have done international work. So it is a key piece for us and we clearly recognize the importance of it.

MS. ARAB: Is there a conscious effort to look out for more diverse business leaders who can then kind of help with not just a language but a cultural understanding for someone who is starting out?

MR. SIMON D'ENTREMONT: I think we have clearly recognized and the One Nova Scotia Commission report clearly recognized the strong role of immigration in business development, for a few reasons. The One Nova Scotia Commission's observation was that to have an economy you need people to run it, and to have people to run it you need an economy. So the two are working in tandem and there's just no way to untangle them - you can't have an economy without a workforce and the workforce is not going to be here if you don't have an economy. Immigration plays an important role in doing that, both international and intra-provincial.

As Michael mentioned, we do have tools like the Credit Union Small Business Loan Guarantee Program for immigrants because they don't have a credit rating when they show up; it gives them easier access. Immigrants have demonstrated their very strong rate of entrepreneurship in the immigrant community. I was talking earlier about sometimes youth choosing entrepreneurship as a secondary choice, after not being able to find "a regular job." Someone was speaking recently to an immigrant mother with five kids and she was asked, what are your kids going to do? Her answer was, they're all going to start businesses of course. It was a done deal that she'd have five entrepreneurs as children and it was not a question. That type of addition to our workforce and to our population, I think, is needed and very important, and we need to cultivate that.

MS. ARAB: I come from a community that is full of entrepreneurs, it's kind of our thing. I mean it's easier to take those risks when you know you have a community base to support you. There are definitely new immigrants who don't necessarily have that strong community base, too, but would still need that support to take the risk.

I'm also wondering what your involvement is with the economic business stream, if any, for immigration.

MR. JOHNSON: Yes, that's something again I know the Office of Immigration is actively looking at and it's something that was identified as a needed area to, again, how do we attract immigrant entrepreneurs to the province? How do we support that and do it in a way that the outcomes are what we hope to be: bringing people to the province to start businesses, stay here, and help support the economy and contribute to Nova Scotia.

I know the office is actively looking at it. I don't want to speak for them but I know we've been engaged, we've had some conversations. I've provided some background and I know Simon has had some conversations with his deputy colleagues on this file, but again recognizing it's very important and it's important to do it well, to do it right. There has been history that the outcomes weren't so positive, so we don't want to repeat that experience. But we don't want to not continue to try to take advantage of the opportunity

that's there. It's important to the province so it needs to be considered and considered with a lot of thought and I know they're doing that.

MR. CHAIRMAN: Are there any further questions? Ms. Zann.

MS. ZANN: He's always so happy when we ask questions.

MR. CHAIRMAN: I am, totally, as long as they're short.

MS. ZANN: Are you talking to me or my colleague? (Laughter)

MR. CHAIRMAN: I'm not commenting.

MS. ZANN: Just getting back to the ferry situation, I've just been reading lately about . . .

MR. CHAIRMAN: Ms. Zann, let's try to keep it on topic and so far this is not going on topic, but go ahead.

MS. ZANN: To mention the ferry?

MR. CHAIRMAN: I know, go ahead.

MS. ZANN: It's about business. So how long do you think we will be able to or need to wait to find out whether or not that's going to be a viable business here in Nova Scotia and is actually going to add money back into our coffers here in the province would you say?

MR. CHAIRMAN: Mr. d'Entremont, again this is not about social enterprises . . .

MS. ZANN: But he's the deputy minister for . . .

MR. CHAIRMAN: But we are here to discuss social enterprises, Ms. Zann.

MS. ZANN: I'd like to hear an answer anyway, thank you.

MR. CHAIRMAN: It's up to Mr. d'Entremont, if you'd like to take the question.

MR. SIMON D'ENTREMONT: If the chairman suggests that we're off topic, then maybe it's best that I keep it on topic.

MR. CHAIRMAN: Thank you.

MS. ZANN: Okay.

MR. CHAIRMAN: Are there any more questions? If not, then we will call this meeting to adjournment.

The next meeting will be March 5th, and CFIB and the Halifax Chamber of Commerce will be here to present.

I call this meeting adjourned. Thank you.

[The committee adjourned at 11:11 a.m.]