

HANSARD

NOVA SCOTIA HOUSE OF ASSEMBLY

COMMITTEE

ON

PUBLIC ACCOUNTS

Wednesday, October 28, 2015

LEGISLATIVE CHAMBER

Nova Scotia Jobs Fund

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Public Accounts Committee

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Mr. Tim Houston
Hon. Maureen MacDonald
Hon. David Wilson

In Attendance:

Ms. Kim Langille
Legislative Committee Clerk

Mr. Gordon Hebb
Chief Legislative Counsel

Ms. Nicole Arsenault
Assistant Clerk, Office of the Speaker

Mr. Terry Spicer
Deputy Auditor General

WITNESSES

Department of Business

Ms. Catherine Woodman, Deputy Minister
Ms. Jeannie Chow, Senior Strategist, Sector Development & Entrepreneurship

Department of Seniors

Mr. Simon d'Entremont, Deputy Minister

Department of Finance and Treasury Board

Ms. Lilani Kumaranayake, Executive Director, Fiscal Policy, Economics and
Budgetary Planning



House of Assembly
Nova Scotia

HALIFAX, WEDNESDAY, OCTOBER 28, 2015

STANDING COMMITTEE ON PUBLIC ACCOUNTS

9:00 A.M.

CHAIRMAN
Mr. Allan MacMaster

VICE-CHAIRMAN
Mr. Iain Rankin

MR. IAIN RANKIN (Chairman): Order, please. I'd like to call the meeting to order as it's nine o'clock. Just a reminder to those in attendance to put your phone on silent or turn it off.

We'll start with committee members introducing themselves.

[The committee members introduced themselves.]

MR. CHAIRMAN: Today we have the officials from the Department of Business with us with respect to the Nova Scotia Jobs Fund. I'll ask the witnesses to introduce themselves and then follow up with opening remarks.

[The committee witnesses introduced themselves.]

MR. CHAIRMAN: You can proceed with opening remarks. Mr. d'Entremont.

MR. SIMON D'ENTREMONT: Thank you very much, Mr. Chairman and committee members, good morning and thank you for inviting us today. I'll pass on introductions here.

I served as Deputy Minister of ERDT from January 2012 until April 2015. During that time we processed approximately 30 Jobs Fund transactions. This was a difficult time for our economy, the world-wide recession was still being felt and had an impact on the type of businesses we saw coming to the Jobs Fund. At the same time government's policy approach to economic development included the provision of incentives to attract new industries and many businesses came to us for loans, guarantees, and access to capital.

We have a very capable, dedicated, and professional staff who did thorough due diligence in assessing requests so we could provide the best advice to decision makers. Staff developed advice and recommendations to the Jobs Fund Advisory Board. It was then reviewed by the minister, as well as the Economic Investment Committee of Cabinet, underwent staff assessments by analysts in the Treasury Board office and the Office of Planning and Priorities, and finally to Cabinet for a decision.

In 2013 and 2014, as a result of government direction, a number of key reviews and reports, including the Traves recommendations and the Duruflé report, as well as the One Nova Scotia report, government began to change its role in economic development from one of providing assistance to business, to one of enabling the private sector to lead growth and creating the conditions for success. We focused on greater transparency and accountability, putting more decision-making authority in the hands of arm's-length private sector boards and agencies. We introduced the Accountability in Economic Development Assistance Act requiring funding decisions and ongoing progress to be posted to a website. We closed the Jobs Fund and introduced Invest Nova Scotia with an independent governing board, and we began delegating more authority and increased accountability to NSBI and other arm's-length agencies.

Most recently, Mr. Chairman, on April 9th there was another significant milestone with the creation of the Department of Business. I'm happy to answer questions about the Jobs Fund during my time at ERDT and I'll now turn it over to Deputy Woodman to talk about where things stand today.

MR. CHAIRMAN: Ms. Woodman.

MS. CATHERINE WOODMAN: Thank you, Deputy d'Entremont, and thank you, Mr. Chairman. On April 14th, I was appointed the first Deputy Minister of the Department of Business. I officially started in that role on May 25th. Prior to this I was President and CEO of the United Way Halifax, and before that I was a vice-president at Maritime Life.

Mr. Chairman, various reports have pointed out that there has been much activity with respect to economic development in Nova Scotia but a core problem has been our lack of clarity, focus and coordination. The Department of Business has a very different mandate from that of the former Department of ERDT. We are focused on aligning and coordinating government behind one common agenda for economic growth. Our goal is to make Nova Scotia the most competitive and business-friendly environment in Canada.

Currently in our Department of Business we are building a plan that will help drive the private sector. The plan will guide how we work with various departments, agencies, and Crowns, and ensure that we are well-aligned and coordinated in a truly team-Nova Scotia approach. It will also help us to be more strategic in the sectors and types of activity where we must focus our efforts and our limited resources. These will include areas such as start-ups, entrepreneurships and sectors such as oceans, information communication technology - or ICT - all areas that have great synergy with the One Nova Scotia plan.

The Department of Business does not deliver front-line programs nor do we provide services or funding. These functions have now been placed with the relevant government departments or appropriate arm's-length private sector-led agencies and Crown Corporations. The one anomaly would be the now-closed Jobs Fund; previous commitments made through this fund extend for decades in some cases.

The annual budget for the Jobs Fund resides with the Department of Business. No new money is being approved and government is simply fulfilling our previous commitments made through this fund. We have in recent months transferred the day-to-day management of the Jobs Fund accounts to Nova Scotia Business Inc. NSBI has the capacity, financial expertise and also the direct-to-business mandate best suited for the ongoing management of this fund. The Minister of Business has retained oversight and of course budgetary responsibility for the fund.

I do not have a deep history with the Jobs Fund or individual accounts. I'm sure my colleague, Deputy d'Entremont, and other staff joining me today can answer many of your questions. I am certainly very happy to speak to the new Department of Business and our areas of responsibility going forward. Thank you.

MR. CHAIRMAN: We will begin with questioning and we'll start with the Progressive Conservative Party for 20 minutes. Mr. Houston.

MR. TIM HOUSTON: Thank you for the introductory comments. Just to give me some perspective over the years, the Jobs Fund put quite a bit of money into various companies. I wonder if anyone has done any analysis of how much corporate tax revenue has come back from those loans that have gone out. I guess maybe Mr. d'Entremont may know. Is there any analysis that you're aware of that shows the corporate tax revenue that has come into the province as a result of the money that has been advanced?

MR. SIMON D'ENTREMONT: It was not uncommon for us in our analysis of individual deals to calculate taxation revenue that would come from these deals and these arrangements. I'm not sure the collective analysis has been done in terms of the addition of all the tax revenue as an ensemble, but I do know that on a deal-by-deal basis this was calculated, and for significant deals could be calculated into the projections of the Province of Nova Scotia. I don't know, Lilani, if you have any other information.

MR. CHAIRMAN: Ms. Kumaranayake.

MS. LILANI KUMARANAYAKE: Depending on the conditions, for individual deals there may be calculations related to tax payable. Those are verified by the Department of Finance and Treasury Board at the request of the managing entity, but to my knowledge there hasn't been an overall analysis of the fund on an aggregate tax return.

MR. HOUSTON: It would seem to me that would be something that would be useful. I wonder if somebody could kind of pull that together because I know in business - and it should be no different in this department - when you're looking at the cost of something you should always look at the benefit. This was an issue that was kind of brought to light to me during the Film Tax Credit thing where it became clear that nobody had looked at the actual benefits of the tax credit. They only looked at the cost.

This is an area where many Nova Scotians often shake their heads when they hear transactions the government is doing. It would be very useful to have an analysis as to what the - not even the economic benefit that can become a very subjective thing, but the tax revenue that comes back to the province is very objective. It's somewhat of a surprise to me that that's not being done, so that might be something that I would ask to be provided to the committee - the money that has gone out and the tax revenue that has come back, because I'm very interested in the targets that are set for the deals.

Was it common practice from the Jobs Fund that there would be a target for - what would be the common targets? I assume jobs would be one - the number of jobs created; I would have thought tax revenue would have been another one. What would have been the common targets that would have been the things you looked at most regularly?

MR. SIMON D'ENTREMONT: The targets would often include job creation targets or job maintenance targets. Those were a big part of the rationale and the qualitative and quantitative analysis around the investment. There are also targets around - there may be projects to support different supply chains and the targets may be around those supply chains. Also, targets often included the establishment of new facilities, making sure that different projects were undertaken, but job creation was often a large one that we would focus on, or the maintenance of jobs or keeping different supply chains open.

MR. HOUSTON: I am looking at - and I do have some questions about the website, but I did look at a couple on the website. One stuck out to me and it was a loan made in March 2014. I'm not sure who would have been in charge of the department then but it would have been Mr. Samson ultimately. On the website for this particular loan, under Targets in Table 2, it says the target is defined as "For disbursed assistance to be used to make working capital investments.

The other target was "For the business to continue to operate . . ." There's no mention of jobs or any other economic spinoff in this so I'm just wondering, for the

business to continue to operate is a pretty low threshold for a target, I would say. Then to the progress alongside that, it said that the “Business continues to operate. . .” which I guess is good news because it’s meeting the target.

Is that an anomaly? It seems just to have a target for business to continue to operate, I must be kind of missing something there would you say, maybe?

MR. SIMON D’ENTREMONT: Would the transaction have been an NSBI transaction or an ERDT one?

MR. HOUSTON: It says the fund name is the Nova Scotia Jobs Fund.

MR. SIMON D’ENTREMONT: Okay, that would likely be one for the department. Job creation targets are often included in projections and in tracking of benefits. I don’t know which particular case this is, it may be that the objective of this particular investment was the maintenance operation of the company and the employment that came along with that company continuing to be able to operate.

MR. HOUSTON: When I see a target like that, it does make me question kind of the due diligence and the process behind it. If that’s your main target, then maybe there are bigger issues with that.

I guess my question would be, would there have been any times or many times in your recollection that the department prepared a file, did an analysis, came up with some targets, sent that up the chain for review ultimately to the minister, I guess, but it came back that there was a message to revise the targets, water down the targets? Do you remember how that relationship worked?

MR. SIMON D’ENTREMONT: Sure. I can also comment that I’ve been advised that the transaction you’re referring to was an NSBI transaction, even though it says Nova Scotia Jobs Fund. They have a Nova Scotia fund which has a very similar name.

But moving on to your question around the provision of advice, there are many different ways that we find out from companies or there are projects that are interested, our process has always been very consistent, that we had an officer assigned to the file who would do the due diligence, do the challenge function against the assumptions, discuss with the company the types of commitments that we can put in contracts, the types of clauses we can put in contracts to make sure we protect taxpayers’ investment. Then that would go on to our Jobs Fund Advisory Board which would provide advice to the minister. That would go on as a recommendation from the minister to Cabinet.

We are always very frank with our advice to the minister, and our analysis and the information that was provided to decision makers was always frank.

MR. HOUSTON: Was there ever a time that you can recall that the minister sent it back and said I'm doing this deal, change these conditions?

MR. SIMON D'ENTREMONT: Our advice has always been consistent. The advice that our staff would propose would be the advice that would stand on the record in terms of supporting the paperwork that would go to the minister.

MR. HOUSTON: So in your term there, there was never really a time when the minister went against your advice?

MR. SIMON D'ENTREMONT: I don't have a recollection of ever changing projections based on conversations with the minister.

MR. HOUSTON: Thank you. I'm thinking of the Yarmouth ferry, I'm thinking of it in the context - I remember when there was a change in government, I have a recollection in my mind which is pretty distinctive, of Minister Samson standing on the wharf saying that the deal the NDP had done was terrible but that he has made it better. I don't know if you remember that sort of scenario taking place - I'm seeing agreement that you do remember that.

I'm wondering, the changes that Minister Samson made to the deal, were those changes that were proposed by your department to the deal that you had already advised a previous minister to do?

MR. SIMON D'ENTREMONT: The process is not so linear that we have recommendations that go up in the formal - there's always conversations and discussions, in terms of having conversations with the minister as well as with the company of what was feasible, what was possible, the types of things that we were able to do, the types of milestones that the company was added to meet. It's more an organic conversation that needs to take place in order to find a way to advance the project.

The government had made a commitment to the Yarmouth ferry and we worked diligently with the minister and with the company to make sure we could come up with an arrangement that would advance the file forward.

MR. HOUSTON: So the arrangement that came up under the new government was quite different than the arrangement that was under the former government. Is that a fair statement?

MR. SIMON D'ENTREMONT: The current government was interested very much in improving accountability and transparency and monitoring the rigour of reporting. So as part of the new arrangement, we introduced practices that would allow for a lot more transparency, reporting and oversight monitoring by government.

MR. HOUSTON: Do I hear you correctly, that the changes that Minister Samson made to the Yarmouth ferry deal were in transparency, they weren't really in substance of the deal? That would be a little bit contrary to how people interpreted the message he was putting out there at the time, which was that he has fixed the deal.

MR. SIMON D'ENTREMONT: We also needed to look at the milestones that had been set out by the company they needed to work with. We had milestones in the contract related to establishing the custom service that the federal government needed to make, establishment of arrangements with ports and these types of things. These types of milestones needed to be discussed and nailed down as well.

MR. HOUSTON: The changes to that deal - did the staff highlight potential areas to the new minister, that these are areas you might want to change? Or was it all top down, as opposed to bottom up?

MR. SIMON D'ENTREMONT: It's always a job. We had some very diligent staff working on the Yarmouth ferry file who kept a close eye on the different types of risks and mitigations that were possible, the different arrangements. That was kind of an organic process of providing advice, getting feedback and so on to the minister.

Certainly staff would have been involved in establishing - it's our job to do the due diligence, to work with the companies, to work with the ports, to make sure we have all the arrangements in place that we need.

MR. HOUSTON: So any changes that were made to that deal were made at the instruction of the new minister?

MR. SIMON D'ENTREMONT: It would always be a combination in a conversation. We have practical advice and detailed subject matter knowledge on the file that the minister would not have, that would not be available to the minister. Also, the direction of the minister and the platform commitments of the minister were very important as well.

MR. HOUSTON: It is interesting because I guess now we have the benefit of hindsight and there's lots of opinions on how that deal played out. I just have that memory of how it had been fixed and it was much better for the taxpayers at the time but when we dig into it here a little bit, I'm not really getting that message - there weren't really substantive changes made to the deal. Actually the deal that the NDP signed with the Yarmouth ferry was pretty much the deal that the new Liberal Government accepted and ran with, minus a bit of tinkering. Is that a good summary on that?

MR. SIMON D'ENTREMONT: I can't advise whether or not that's a good summary, I guess. We provided the advice to the minister, and for major amendments to the contract as well, we would also seek direction from Cabinet.

MR. HOUSTON: I'm thinking about the deals that are on the books now and that the Department of Business, I guess, has ultimate responsibility for. I think I heard in the opening comments there was no new money allocated for these deals and NSBI is going to kind of run them out. Is that the way it's happening now?

MR. CHAIRMAN: Ms. Woodman.

MS. WOODMAN: I wouldn't characterize it as NSBI is going to run out the deals; it's a little bit more complex than that. There are loans, there are shares, forgivable loans, royalties, guarantees incentive - it's quite complex. NSBI will be managing that, administering that account by account, assessing what opportunities there are to mitigate the size of the investment of the fund. In the Department of Business, and now in future with NSBI, we're managing the commitments that have been made in the past.

As I mentioned in my opening remarks, NSBI was chosen because it does have the competency and the expertise. It has the resources and it also has the business-facing mandate that doesn't exist in the Department of Business. So once we were struck as a department in May, we made an assessment of where best the funds should be housed. We consulted with Justice, with OPP, with Communications, and of course with NSBI.

It bears mentioning that the Auditor General's Report reinforced that NSBI would be an appropriate administration.

MR. HOUSTON: So the deals that are on the books there, is NSBI actively trying to kind of close - I worked in reinsurance/venture capital for five years and we were always trying to commute deals that were on the books and close them down earlier. Is that the case with NSBI or is it an oversight role as to what they're doing with the deals?

The reason I ask - I'll give you a bit of context - is Jobs Fund was, I think, \$10.7 million over-budget, I guess, in the past year. It cost more money than people thought. I heard you say there's no new money set aside, so how do we know there won't be another over-budget again this year and how active are they managing these files?

MS. WOODMAN: So for clarification, may I ask through the Chair, would you like me to answer the culture of NSBI in terms of managing deals or would you like me to speak to the variance? Which would be more appropriate?

MR. HOUSTON: No, the variance is - I'm more concerned about how another variance hasn't happened. I'm more concerned about - culture is a good word, I guess - how are the deals being managed, was the way I had framed it. Is there a move within NSBI to close these deals?

MS. WOODMAN: Okay, I'll take the explanation on the variance first, if I may, Mr. Chairman. Yes, in fact there was a \$10.7 million variance. I would say that - I can tell

you that is not unusual over the course of a year. We can anticipate that there will be variances in the future, despite a potentially more active and firmer management of the fund.

The reason for that is at the beginning of the year there are estimates made on the anticipated performance of remembering 112 accounts, 78 companies. There are lots of changes that occur in the course of a year that are factors outside of the control of either NSBI or the individuals making those assessments. They could be business failures, writeoffs, incentives, reaching milestones earlier than anticipated, or loan forgiveness occurring earlier than anticipated. In fact, there's a lot that fluctuates according to timing.

The variances really could be more easily characterized, in all honesty, as an accounting treatment, not evidence of new spend. I would also say that all accounts contribute in some fashion to that variance.

In terms of your question about NSBI's approach, it is certainly a fair statement that the business approach taken by NSBI is a firmer approach to managing funds. However, it would be for that organization to declare how they're going to treat the fund going forward. I couldn't speak to . . .

MR. HOUSTON: Have you instructed them to try to close the deals?

MS. WOODMAN: No, we have not.

MR. HOUSTON: I guess I have two minutes, Mr. Chairman?

MR. CHAIRMAN: Two and a half minutes.

MR. HOUSTON: I'd like to ask a couple of questions, if I could, about the transparency aspect and the website. I'm not sure who is best positioned to speak to the website that's up there.

I guess I would ask, is the government satisfied with the current reporting on the website?

MR. CHAIRMAN: Mr. d'Entremont.

MR. SIMON D'ENTREMONT: I can start that off and maybe hand it off. In the time that I was there with the department, we instituted the website which started reporting, I believe, on April 1st of this year, retroactive to October 2, 2014. We instituted a mechanism where companies would report key milestones every six months so that we could have a good public accounting for how taxpayers' funds were spent in that arena.

MR. HOUSTON: And the government is happy with it? Are there any revisions planned that anyone is aware of?

MR. SIMON D'ENTREMONT: That wouldn't be for my - I'm not responsible for the department or the fund right now so I wouldn't be the person to answer that.

MR. HOUSTON: Is there anyone here who is responsible for the website?

MR. CHAIRMAN: Ms. Woodman.

MS. WOODMAN: I have no reason to believe that there is any lack of confidence in the website at this point.

MR. HOUSTON: Are there any revisions planned for the website?

MS. WOODMAN: Not that I'm aware of.

MR. HOUSTON: Are there any email alert systems that go out to media or people when there is a change on the website?

MS. WOODMAN: I'm sorry, I'm not aware. Sorry, we do have an answer.

MR. CHAIRMAN: Ms. Kumaranayake.

MS. KUMARANAYAKE: Just to answer, due to a change in legislation with the accountability Act - within that Act there are some timelines that are specified. So there has to be a posting of a new deal within 30 days of approval or execution by both parties, and then within six months, any amendments have to be posted.

The structure of the Act was a living Act. The reporting was designed to try to balance transparency and at the same time minimize reporting requirements for businesses. So what we've done is - when we set it up, as part of the negotiations with the letter of offer, they would also agree to the template that would be posted, and then every six months, now NSBI will send out to its clients saying, it's time for your progress report and it's a very simple, short progress report. They fill that in and then it gets uploaded.

There are set dates for the progress reporting, so the next round will be December 1st and then June 1st. At that time, typically media are notified that there is a batch of progress reports, but because of the need to continuously report, when there is a new report it's just put up there as well.

MR. CHAIRMAN: Order, 20 minutes has lapsed for the PC Party. We'll move to the New Democratic Party for 20 minutes. Ms. MacDonald.

HON. MAUREEN MACDONALD: Good morning, it's nice to see you again, Mr. d'Entremont, and welcome, Ms. Woodman.

I have a number of questions here and I'm going to put them together as an opener and ask you for this information; this is with respect to the current Jobs Fund commitments: The total value of those commitments; the corporate revenue that will be generated with respect to tax revenue from those commitments; the number of direct jobs that is associated with those commitments; the number of indirect jobs that's associated with those commitments; the personal income tax that is associated with the jobs in those various settings; and the percentage of GDP in the province.

MS. WOODMAN: I appreciate the fullness of the positioning. We don't have ready here at the moment, and yet could provide much of that information. It would need to be calculated - specifically personal income tax, corporate revenue, number of jobs, GDP and indirect jobs. Certainly the size of the fund and total commitment we have, which is \$892 million as a total commitment - the five-year cumulative estimate is \$159 million. There are 78 companies that are part of the fund before it was closed, and that includes 112 accounts. Some companies have more than one account.

Each year the annual estimate is \$32 million. However, as I explained a little earlier, there are variances by year. We can anticipate that the impact of this fund will continue to impact our budget through to the year 2034. That's material that we collected to provide you with the questions about size and nature of the fund. We're happy to take away the other questions and provide it later.

MS. MACDONALD: Thank you for that. I appreciate that you can get me the information, but I'm disappointed that you don't have it. It seems to me to be an obvious question for which information could be provided here today. Without that information, we have a relatively distorted one side of the picture. As my colleague to my right previously said with respect to the Film Tax Credit for example, this is a government that seems to know the cost of everything but the value of nothing.

With all due respect, I think probably the number one issue on the minds of many Nova Scotians today is the economy and jobs and value for dollar from public investment in terms of the economy and jobs and being able to put food on the table for your family.

The whole question of economic investment and economic development has been a political hot potato for a very long period of time in this province. Back in 2011 under the NDP Government, the member for Richmond who became the Minister of Economic and Rural Development and Tourism, said in Hansard that the previous Progressive Conservative Government got cute about a promise to stop using the Industrial Expansion Fund and came back and said well we're going to start these payroll rebates so it's not direct money to companies but it is still supporting them.

Now Mr. Samson, who made that comment, was implying that payroll rebates were just a cute way to give money to companies without making it seem so. Do you agree with that assessment and are you still providing payroll rebates to companies in Nova Scotia?

MS. WOODMAN: I can begin with this, the Department of Business has not been and is not providing direct funding to business. That is being provided by NSBI which has a business-facing mandate. It certainly has been and I foresee will continue to be part of the set of tools, if you will, that NSBI utilizes to attract business.

Payroll rebates are always connected, targeted, aligned with an expectation of creation of jobs and only made available once there is clear evidence of that.

MS. MACDONALD: Mr. d'Entremont might want to make a comment.

MR. CHAIRMAN: Mr. d'Entremont.

MR. SIMON D'ENTREMONT: I can also add that Tom Traves in his report to the province also indicated support for payroll rebate-type investments. The general methodology around payroll rebates and using them as an incentive is that you are reimbursing the companies for payroll incurred and if you can demonstrate that the payroll was incremental and was attracted because of the payroll rebate, then all of the tax revenue that came from the incremental jobs that you created was incremental, number one; and number two, you can actually calculate a return on investment.

If someone creates \$1 million in payroll and you give them a \$0.5 million investment, you've got a return on investment on two to one, number one; number two, you never put more money out there than you've gotten in return because the payroll taxes need to be generated first and part of that is returned to the company.

MS. MACDONALD: Are any of the outstanding Jobs Fund commitments payroll rebates?

MR. SIMON D'ENTREMONT: I can jump in there. We usually have not created payroll rebates under the Jobs Fund; they are done exclusively at NSBI.

MS. MACDONALD: Thank you. This current government has provided approximately \$200 million in incentives over the past year to businesses. They campaigned on a promise to end corporate welfare. The RBC received \$22 million and I'm wondering if you could provide us with information on how many jobs have been created from that investment so far.

MR. CHAIRMAN: Ms. Kumaranayake.

MS. KUMARANAYAKE: I think the \$200 million corresponds to the volume that's up in the accountability website, which is about 46 transactions - around \$195 million. Those are transactions since October 22nd that have been reported.

With respect to what's covered in the \$200 million, there are a number of payroll rebates. There are four transactions related to the new Film and Television Incentive Fund. There are two transactions related to the Jobs Fund. The remaining transactions related to NSBI's Nova Scotia Fund, so some equity and loans and loan guarantees.

With respect to RBC, again, as I was speaking to the requirements for transparency and progress reporting, the initial posting is made as soon as the transaction is approved. RBC is due to present its first progress report in the next round, which is December 1st. That's the first time that they will be presenting an update on their targets.

MS. MACDONALD: Do we know if they've hired anyone, or will we not know that until December 1st?

MS. KUMARANAYAKE: The specific account manager, NSBI, may have more details because they do more day-to-day management, but from a government perspective, their requirement is to provide reporting by December 1st.

MS. MACDONALD: As we know, Scotiabank has recently announced that they'll be moving jobs out of the province. I'm wondering if there has been any discussion with Scotiabank about keeping those jobs here.

MS. WOODMAN: I know that this is of keen interest to NSBI, and NSBI has worked for a long time especially focused on the financial sector. It is my expectation, but I don't have firm knowledge, that they've had discussions.

I want to perhaps take this opportunity to emphasize - by reason of the fact that I reference NSBI - that it has certainly been made apparent to me that this government deeply values economic development, but has chosen to ensure that it is really the responsibility of boards, Crowns and agencies that are business-facing, and have independent boards to be in that business-to-business transaction role.

MS. MACDONALD: I don't believe it has been reported yet - the job losses in one of the large insurance companies that had their regional office here in Nova Scotia. The Royal Sun Alliance, RSA, had moved some of their commercial appraisal and underwriting functions to Dartmouth and they've been operating here for quite a substantial period of time - a fairly large workforce, good paying jobs. Those jobs are leaving the region and going to Ontario. Can you tell me whether or not there has been any discussion with RSA about keeping those jobs here in the region?

MS. WOODMAN: I'm not aware if there has been discussion. That's not to imply that there hasn't. I just haven't been a part of conversations that's reinforced that that has occurred.

MS. MACDONALD: What about Bell? Bell also announced a major overhaul of its operations with a loss of some senior management positions in the area. Have there been conversations with Bell and do we have any understanding of what the job loss has been there?

MS. WOODMAN: Thank you for the questions regarding Bell, Royal Sun Alliance and other companies. Again, to the points that I made in the opening remarks, the role of the Department of Business is to focus on aligning government with one common agenda - to work across various departments and our Crowns to change the business climate by ensuring that we are using approach that is more targeted, more strategic, more evidence-based, and is working with the larger system, if you will, as opposed to focused on individual business.

This isn't to imply that the businesses you mentioned are any less important than they were before the creation of the department, it's just not the focus and purpose of our mandate.

MS. MACDONALD: I have to say I am troubled by what seems to be a lack of awareness, involvement and understanding at the very top of the Department of Business with respect to the activities of NSBI. I don't know how it's possible, and perhaps you can help me understand how it's possible, for the Department of Business to create the most competitive and attractive environment, as you said in your opening statements, for business investment and growth in the Province of Nova Scotia, to make us the best place to do business in the country when there is such an extensive lack of information about the very day-to-day issues that are occurring throughout our province, where good jobs are leaving the province. There's a disconnect here, can you explain that to me?

MS. WOODMAN: There has been a lot of activity and a lot of understanding and a lot of connection with business and economic development over the years. The recognition today is that there has been an extreme lack of coordination and that we have business-facing Crowns and agencies that are held accountable by their boards and to the department to be engaged in the direct activity.

Our role in the department is alignment and coordination. We've been working closely with the Crowns to make sure they understand that new direction.

MS. MACDONALD: I don't want to be argumentative or mean but it appears to me that there's even a bigger lack of coordination now in that the Deputy Minister of Business is unaware and doesn't have information with respect to these really significant issues.

I want to ask, how many investment proposals has the department looked at in the past year? How many have been brought forward to Cabinet? Has the Cabinet rejected any?

MS. WOODMAN: We have made one investment proposal and that is with respect to Invest Nova Scotia, to gain clarity on the structure and rules and regulations concerning that new body. Other than that, that has been the work since April of this year.

The body of our efforts has been in creating a private sector growth plan in working with the Crowns to ensure that, in several cases, they're making a smooth transition with this new direction but also because several are undergoing some significant change.

It is not seen as the role of the Department of Business, very different from ERDT. It's not a rebranding of ERDT, it is a new organization of 28, not 300, to be focused on working across the system and ensuring there is coordinated effort.

We are also in the midst of establishing - to your question of accountability - outcome agreements with our Crowns, the Crowns that are business-facing, to ensure that there is that accountability existing in the future and is aligned with the private sector growth plan, as well as alignment agreements. These are new, it's a new concept with our departments to again ensure that it's not just a spirit of coordination but there is true accountability between the parties.

MR. CHAIRMAN: Ms. MacDonald, you have two minutes.

MS. MACDONALD: How many times has the board of Invest Nova Scotia met in the past year?

MS. WOODMAN: The board has met seven times. It started in December of this year, was created in December of this year, had an orientation session and has met seven times.

MS. MACDONALD: Have they reviewed any files?

MS. WOODMAN: Yes, they have begun reviewing files. Invest Nova Scotia was launched on September 28th.

MS. MACDONALD: Are they working with any companies right now?

MS. WOODMAN: No, they're not working with any companies because this again is a fundamental change from the Jobs Fund. Invest Nova Scotia is not making investment in businesses, but rather industry associations, municipalities, academia, RENs. They have received five . . .

MS. MACDONALD: Excuse me, I'm sorry, I know about the composition of the board and what have you. I'm just trying to establish what they do and what they've been doing, and whether or not they're actually working with any businesses that are interested in investing in our province or expanding. I guess the answer to that is no, not yet.

I want to ask a question about Nova Star. Considerable money has been invested in Nova Star this year alone - \$13 million. Last February, the Minister of Economic and Rural Development and Tourism failed to disclose a \$2.5 million investment. I'm wondering if the deputy minister at the time advised him to do that, or what was the rationale for keeping that investment a secret?

MR. CHAIRMAN: I just want to remind the members to allow the witnesses to finish their answers. Mr. d'Entremont.

MR. SIMON D'ENTREMONT: At the time that - the period working with Nova Star, we were working with them to try to nail down different options, alternatives, including looking at even different boats for the next sailing season, and we are in the middle of negotiations. It was always our intention to announce the total funding commitment that had been flowed when we had arranged our final arrangements, but that process took a little bit longer than planned.

MR. CHAIRMAN: Ms. MacDonald - less than one minute.

MS. MACDONALD: I guess since there is less than a minute, I will let my time go because my questions are more extensive. We'll get back to you in the next round.

MR. CHAIRMAN: We'll move to the Liberal Party for 20 minutes. Mr. Stroink.

MR. JOACHIM STROINK: I guess I have a couple of questions just to clarify some things. Has RBC received any money yet?

MS. KUMARANAYAKE: As was discussed earlier, the payroll rebate works on an outcome basis, so in order for a company to receive funding they first have to demonstrate that they've hired a certain number of FTEs and it fits within the agreement. The FTEs have to be audited, and after that, that's when they get the first payment.

MR. STROINK: So they have received no money.

MS. KUMARANAYAKE: To date, no money.

MR. STROINK: So to be clear, RBC will receive that \$22 million if they hit those targets.

MS. KUMARANAYAKE: Over the time period, yes.

MR. STROINK: I want to touch base on the Jobs Fund just a little bit. The past government decided to use the Job Fund as a way of investing in Nova Scotia, and I guess the issue when you invest into businesses is you want a return. So right now it's really hard. There's almost like a bit of a hangover effect on the ability to reinvest the money that's there because it has been allocated for such long periods of time. It has almost handcuffed future governments to do investments based on the tie-up of money. My understanding is that some of these investments will go on to future generations, including my kids will be dealing with these investments. It really does handcuff future governments of any Party - no matter who is in power in 10, 15, or 20 years from now - to make smart investments for Nova Scotia.

With that, can you walk us through what the impact was of future - of those investments and with that, can you give me a bit of a detail to the closure of the Jobs Fund, the timeline and the steps that were taken in order to close the fund?

MR. SIMON D'ENTREMONT: I can maybe start off with the closure of the Jobs Fund and then my colleague can maybe discuss the future commitments piece, given it's her department's responsibility now.

We had a new government come in the Fall of 2013. That was around the same time that winter we had some work commissioned by Tom Traves - the One Nova Scotia report. The government was making it clear they wanted a new direction in economic development. One focused away from direct investment in companies and one focused more on creating the winning conditions for business by creating a climate that's good for business and not trying to select which companies they would specifically invest in.

That led to us creating Invest Nova Scotia and Invest Nova Scotia, as my colleague Deputy Woodman mentioned, is not investing in individual companies but investing in projects that advance the climate, advance the direction of how to create the winning conditions for business. At the time of the creation of Invest Nova Scotia, in the same Act, in the Invest Nova Scotia Act, we effectively put a cap in further investments in the Jobs Fund. You couldn't actually close or wind up the Jobs Fund because of all the contractual obligations in there that last for many years. All those deals still need to have a legal life so there is cap on investment but the deals continue to exist, they need to be managed going forward.

MR. CHAIRMAN: Ms. Woodman.

MS. WOODMAN: Certainly in a time of real fiscal restraint you will see a negative, a cooling impact on our economy, on the confidence of business, on the ability for business to invest in our province, in the provinces of Atlantic Canada and the Eastern Seaboard. We also witness greater incidence of business failures and changes in composition and the number of jobs, as was referenced earlier, and out-migration. We certainly have been

experiencing that for a period of time and working to overcome those conditions in the future.

I will indicate that Invest Nova Scotia - another very significant difference between the Jobs Fund and Invest Nova Scotia and perhaps to your question of how we may be impacted by the size of the fund is that Invest Nova Scotia has a budget, it is limited to \$5 million a year. That's a different approach and will require evaluation over time but it is a much more restrained investment.

MR. STROINK: So if the Jobs Fund is closed, as we've discussed and I think you've alluded a tad to it here, it seems like we're continuously handcuffed by this process that occurred and it's continuing to cost us money every year. Do you have a sense of what it's costing Nova Scotia taxpayers every year?

MS. WOODMAN: Yes, the estimate is \$32 million a year. We do a five-year cumulative assessment and that is \$159 million in the next five years. As I indicated earlier, the total commitment is \$892 million.

To your point about your children, the length of this commitment extends right through to 2034. Earlier estimates were 2028 but it is 2034. It is a tiger, if you will, with a long tail and it's a reality. We've inherited it, we are honouring our previous commitments. It's fairly complex so it has to be managed carefully.

MR. STROINK: Wow, 2034, that's a long time. I guess my other question, following up on this is, has this approach always been taken, that these contracts would go so far?

MS. WOODMAN: The approach in terms of how it's managed has actually been in place for decades and it doesn't differ from how accounts are managed in different parts of our government, whether it's the Farm Loan Board or Housing Nova Scotia or Innovacorp, it's a common approach and hasn't differed in years, nor is there much opportunity for mitigation.

We spoke earlier about the possibility that NSBI may take a firmer approach with accounts. That could have an impact on some mitigation but the fact stands that these are commitments that have been made. They're contractual agreements, we are held to them. We need to honour them, it's our responsibility. They are complex and have different timing and implications but in terms of the total spend, there's really nothing we can do to fully mitigate that. It will last until 2034.

MR. STROINK: Thank you very much and I will now pass it on to my colleagues.

MR. CHAIRMAN: Ms. Miller.

MS. MARGARET MILLER: Thank you very much, it has been very interesting listening to this. I took offence at a comment a few minutes ago that said that this government knows the cost of everything and the value of nothing. I think this Liberal Government realizes that it's not government that is responsible to buy provincial affluence. I think we've seen the result with a \$3 million increase in our provincial debt over their four-year mandate. It was a gamble that they took and it cost the taxpayers of Nova Scotia \$200 million a year in additional interest debt, and now to say that's going to go on to 2024, it's going to be the gift that keeps on giving. Although you can see that there are some benefits from this, it really staggers my mind to try to find accountability for this. I think it's difficult.

I want to talk a little bit about what we can do to mitigate this estimated cost. What kind of controls are in place to monitor these estimated costs?

MS. WOODMAN: Certainly at NSBI there is a competency and an expertise around managing accounts. They review accounts on a regular basis individually, as well as a cumulative fund. They will be interacting and do interact with the companies themselves. In some cases, site visits are necessary. They will entertain amendments, generated initially by the company to help manage the accounts.

They are following the recommendations of the Auditor General in terms of ongoing monitor and evaluation and will certainly be very careful in their stewardship of the fund, but as I indicated earlier, there is very little - other than the constant stewardship and care that can completely mitigate this investment.

MS. MILLER: To change a little bit and talk about accountability and transparency - I know it's a big thing, we talk about it a lot. We certainly want to change things in government, so this government made a commitment to accountability and we've seen a great deal of progress on this. Can you tell us some of the steps that have been taken to date to provide more accountability and transparency in the way the government approaches economic development here in Nova Scotia?

MR. SIMON D'ENTREMONT: Government expressed clearly their interest to us in advancing the accountability and transparency agenda in economic development. That was part of the recommendations and the review done by the Tom Traves report that we hired them and an economist firm, as well, to look at best practices around the world in economic development.

That led to some best practices that the decision making should be arm's length from government when it comes to development and that that's a good practice; that information about investments should be kept up to date and should be made public wherever possible and should be predictable in terms of - we're dealing quite a bit with media requests all the time: what's the update on this, what's the update on that, and dropping all your tools to be able to answer those questions is also a lot of work.

So we passed the Accountability in Economic Development Assistance Act, so it's in legislation, which makes Nova Scotia one of the most transparent jurisdictions in Canada, and we created the website, as has already been discussed, which allowed information and actually forces companies, recipients - it has kind of reset the deal, because in the past we had confidentiality clauses that were built into agreements which limit what we can say about past companies. But for this government it was very important to set a new bar of transparency.

So basically, companies now know when they do business with government that the bar has changed a little bit and they need to expect more transparency and more accountability. For example, contribution agreements from government with companies in terms of assistance now have lesser requirements for confidentiality and more requirements for reporting and transparency.

MR. CHAIRMAN: Ms. Kumaranayake.

MS. KUMARANAYAKE: I was just going to add that the type of information that is being provided on a consistent basis, including the source of the fund, the nature of the business activities, and then during the progress reporting - not just the targets and timelines and are they being met, but also disbursement information around that.

These are all pieces of information that weren't previously able to be provided, partly because of the way that the contracts were written. So as part of the implementation, we've had to work to make sure that the way the contracts are now written allows for that balance to have business confidentiality, commercial confidentiality, but at the same time allows the taxpayer to understand what's being done with their money.

MR. CHAIRMAN: Ms. Lohnes-Croft.

MS. SUZANNE LOHNES-CROFT: Thank you for being here today and bringing clarity to some of what has happened before and what is happening now. Mr. d'Entremont, you said that investments are being kept up to date - part of the new mandate. Does this include monitoring and evaluating the old Jobs Fund?

MR. SIMON D'ENTREMONT: I should actually refer that to Ms. Woodman in terms of the current status.

MR. CHAIRMAN: Ms. Woodman.

MS. WOODMAN: Yes certainly, it's an activity that NSBI undertakes to regularly monitor all accounts to have discussions with companies to review financial statements, to assess risks relative to those accounts, to meet onsite or with companies, to make estimates in terms of what the ongoing costs are, so they are and will be actively monitored.

MS. LOHNES-CROFT: So can you be more specific in how they are being done now, compared to before?

MS. WOODMAN: It would be difficult to compare and contrast at this early stage. NSBI has accepted responsibility in September. We have an agreement with NSBI that we will re-evaluate the arrangement with NSBI in six months and a year. They are in the process of determining how best to manage the funds.

I can assure you, though, that it was the Auditor General's recommendation that NSBI would be a fitting organization to be managing these accounts, given their expertise and given their business-facing mandate. We have very strong confidence that we will be well monitored. There is also an expectation that they may well be firmer with some accounts, given the philosophy of the business environment at NSBI.

The concept of having an organization at arm's length from government reinforces the mandate of the Department of Business, that we are not dealing directly with business but coordinating across government and with Crowns. We have trust and faith in the ability of NSBI. They are a well-oiled organization, they are very focused on results and we are confident they will do well.

MS. LOHNES-CROFT: So monitoring, would it take place on an annual basis, or biannual, for people who are in the old Jobs Fund?

MS. WOODMAN: It would take place very regularly. Jeannie, who has had experience and has been part of the handoff to NSBI, can speak to that very specific question.

MR. CHAIRMAN: Ms. Chow.

MS. JEANNIE CHOW: I think it's important to understand that all accounts are somewhat different. At a minimum, NSBI would review every account annually with a site visit and a full investment review, outlining all the risks, all the conditions that had to be met, any other issues that may arise during what would be viewed as business conditions that would occur and they would reassess the risk of that file at that time.

As we know, there are always files that require more regular monitoring, because of different situations that occur in the business environment, so you see a lot of those in the news. That kind of monitoring has to occur daily, weekly, monthly. They are in contact with companies on a regular basis.

Any issues that arise that we would observe or that the company would observe would be discussed on a regular basis. If there were issues that needed to be escalated at that time in terms of the risk, they would certainly look at that and involve other

departments or other entities that might bring special expertise to the table that could help either resolve the issue or provide more clarity on why that issue is occurring.

It's not fixed in stone but at a minimum annually that they would look at every account. I know there are several accounts that would be monitored on a much more vigorous basis. If anything higher risk would come to light, then certainly senior management would be made aware because of course that can affect the estimates for the accounting treatment or potential future action we need to take either to support the company or to address some of the obstacles they may be facing in their business environment.

MS. LOHNES-CROFT: I'm assuming it's sort of a transitional period right now to get all of this in order?

MS. CHOW: Yes, we continue to work with them, especially on some of the larger key files that we keep abreast of what has been happening, provide whatever advice and history we can to NSBI.

Personally for me, I actually came from that environment for over a decade so we connect very closely with them and are in regular communications, especially on some of the files that would be identified as having some challenges that we need to work with them more closely and understand what some of those issues are, to anticipate what actions may need to be taken and often consult and bring in other partners. It may be ACOA, it might be another sister department that could provide additional information so we could have a full picture of what the situation would be.

MS. LOHNES-CROFT: Do we know what the rate of return in the old Jobs Fund is?

MR. SIMON D'ENTREMONT: The rate of return issue is a bit of a tricky question in that the portfolio was not designed necessarily for a rate of return. It's not made up of investments that the primary goal is to get more financial return.

That being said, when I was there and the last time we had calculated something along those lines to figure out what our financial performance of the portfolio was, we were running at a loss rate at around 5 per cent, which is not dissimilar from other types of government-sponsored investments where you're taking maybe a little bit more risk to achieve certain ends.

I worked at ACOA in the federal government at one time where our return rate was 92 or 93 per cent back - same ballpark. As well, we sponsor through the Jobs Fund the Small Business Loans Guarantee Program that also ran a loss rate of around 5 per cent.

MR. CHAIRMAN: There is just a minute and a half left. Mr. Maguire.

MR. BRENDAN MAGUIRE: I just want to be clear, has this government signed any cheques to businesses or given out forgivable loans?

MS. KUMARANAYAKE: Since October 22nd, there has been one new transaction with the Jobs Fund, which was an extension to the Credit Union Small Business Loan Guarantee Program. There were a couple of aspects to that. It was to increase the loan guarantee from \$25 million to \$50 million, and also to increase the percentage from 75 to 90 per cent, which was a campaign platform.

MR. MAGUIRE: So to individual businesses, the answer is no.

MS. KUMARANAYAKE: No, correct.

MR. CHAIRMAN: We'll move back to the Progressive Conservative Party for 14 minutes - Mr. Houston.

MR. HOUSTON: With a 16 per cent provincial corporate tax rate, coupled with 15 per cent federally - a 31 per cent corporate tax rate, it's tied for the highest in the province. That's the thing that I hear the most when I'm talking to businesses - that's where they say, Houston, we have a problem here. (Laughter) The taxes are just too high. So as the Department of Business, is the tax rate something that you've put any proposals forward to reduce the tax rate?

MS. WOODMAN: As I indicated earlier, our most significant body of work thus far is a private sector growth plan. Certainly one of the elements of that plan will be tax and tax rates and we'll be working closely with the Department of Finance and Treasury Board, and already have on that question.

Certainly there are many different levers that government has at its disposal - access to capital being one. Regulatory environment is another. Frankly, we're hearing quite consistently that has a huge impact on the confidence of business going forward.

There are others, including infrastructure - both strategic and physical. Our ability to promote the province . . .

MR. HOUSTON: In terms of the taxes, can you shed any light on a proposal you may put forward on what we can expect to happen with corporate taxes?

MS. WOODMAN: Currently, government is getting its financial house in order and addressing opportunities for fiscal restraint. We're awaiting and working with the Department of Finance and Treasury Board and awaiting their decisions on tax at this point.

MR. HOUSTON: This is a major concern of mine and many Nova Scotians. As I sit here today I think - just like we heard the minister talking about the improvements to

the Yarmouth ferry deal, there was a lot of fanfare. The Department of Business was announced with a lot of fanfare and it was kind of a sexy thing to do. But as I sit here today, I'm really wondering how that's leading us forward as a province. They're not looking at any deals or are they are pushing everything to NSBI saying it's their job.

Now the biggest thing - because if the government doesn't accept that lowering the tax rate will stimulate economic growth and puts that completely to the side - it sounds like it's not even on the table right now . . .

MR. CHAIRMAN: Order, you're venturing into policy and the committee is supposed to be about the execution of administration. Questions of whether the government is looking at increasing taxes or decreasing are not in this committee's mandate.

MR. HOUSTON: I'll rephrase my question. In terms of economic development, a significant lever you mentioned is the tax rate. It's important to businesses. As the Department of Business, how do you feel that the tax rate that's tied for the highest is impacting your ability to do your job in economic development?

MS. WOODMAN: We will certainly continue to look at tax rate, as well as many other factors. We'll be listening closely to business and to industry and we'll be working very closely with the Department of Finance. I believe Lilani has a comment to make in terms of where that department is taking this direction.

MR. CHAIRMAN: Ms. Kumaranayake.

MS. KUMARANAYAKE: Just in terms of understanding our tax rates, we are one of the highest. I think the tax and regulatory review really flagged that one of the issues is we actually have a very narrow tax base. In order for us to be fiscally sustainable and deliver the services we need, our rates are . . .

MR. HOUSTON: With all due respect, I would submit to you that the reason we have a narrow tax base is because the tax rates are so high. It's certainly part of it. You can't look at these things in isolation.

History has shown and many Nova Scotians - you can stop a bunch of them on the street - they will tell you that companies that are attracted here with money will leave when that money dries up, so our traditional form of economic development has been a form of bribery - come here and we'll give you money. Once that money is gone and they see the tax rates, they leave - because we are placed well geographically, we do have an excellent workforce. So when you start to cross off the good and the bad, you realize that the tax rate is punitive.

If the Department of Business is not looking at that - and I think they're not because when I ask questions like, of all the deals you've done, how much corporate tax revenue

have you generated from them, it's not something that is even on the radar screen. That's a big disappointment to me. I think the department is missing a big area, a big part of the problem.

I would be curious if the Department of Business is familiar with the concept of transfer pricing - is that a concept you're familiar with?

MS. WOODMAN: Currently our efforts have been in the establishment of the department and establishment of mandate in working with our Crowns and our agencies around coordination. You referenced the fact that we haven't been making deals with business and quite frankly, that's not the mandate that was given to the department upon creation.

We are working with other teams, both internally and externally, to establish a business climate . . .

MR. HOUSTON: Is the concept of transfer pricing something the department is looking at?

MS. WOODMAN: We are not currently discussing that within the department.

MR. HOUSTON: Transfer pricing is the concept of when an organization has offices in various tax jurisdictions and they sell one to another, and they usually do that for economic reasons. So if we are attracting companies here and they make products here that they can ultimately sell in another jurisdiction where there's a better tax regime, they will move product out, and we will have a very narrow tax base because there's no reason for them to build their companies up here.

These are really important parts of economic development. They're parts of economic development that I expected a Department of Business to understand and look at. It's a big disappointment for me to learn today - and I'll give you a chance to correct me whether I've mis-learned - I learned today that these are not the issues the department is looking at. I believe, from what I've heard today, that the department is looking at red tape and exclusively at red tape. While that is part of the solution, it is certainly not the only part of the solution.

Would you characterize that the primary goal of your job right now is to reduce red tape? Would that be your personal, main responsibility?

MS. WOODMAN: Thank you for the question. I would not see that as the responsibility of the Department of Business. In fact, the creation of the new department of regulatory and service effectiveness is looking at barriers to business and red tape. I apologize if I haven't been completely clear in terms of our mandate and that it might be a

disappointment to you but as explained at the beginning, it's not a business-facing department. Our job is to work across departments around coordination alignment.

This is not a new concept, it was articulated in the Savoie report and reinforced in the Ivany report that there has been a lack of coordination and alignment, and one small department has been tasked with that role and function. That's really where the bulk of our focus has been. We don't pretend to have deep expertise in the areas that are hosted or held by our sister departments and the business-facing Crowns. Rather our role is to ensure that there is a coordinated effort - one common vision - and that it has a long-term chance of sustainability.

It's a policy shop, a shop that is focused on that alignment. So that has been our primary focus since the creation of the department.

MR. HOUSTON: So the Department of Business, did you say, is not business-facing?

MS. WOODMAN: Exactly, it's a policy organization. The business-facing arms of government are Innovacorp, Waterfront Development, and NSBI.

MR. HOUSTON: So the Department of Business is purely looking at the relationship of departments that already exist in the government.

MS. WOODMAN: No, I would say it's not looking at relationships, but rather working with a common agenda - a private sector growth plan that we've been building with input from all departments and then ensuring that we're aligned in terms of outcome agreements and alignment agreements to deliver on that plan. This coordination has been missing in the past and we're fulfilling that function.

We're also putting a fair amount of work and attention into sectors, clusters, industry of unique advantage to Nova Scotia. As indicated in my opening remarks, that would include oceans, ICT, aqua-food, seafood - where we have the greatest advantage and opportunity.

MR. HOUSTON: So have Nova Scotians benefited from the creation of the Department of Business or is it too early to tell?

MS. WOODMAN: We are six months old; it may be early to tell. I believe that the work has been very focused. We've staged a department quickly, hired some very strong, capable individuals - both from inside government and outside government. We've come to clarity on our mandate. We transferred functions outside of our department and helped choreograph that transfer.

We've worked directly, as I've indicated a couple of times, in creating a private sector growth plan. We've turned our attention to Internet access in rural areas. We've worked, with the creation of COVE, for the sector of oceans - that's physical infrastructure, and also Volta. Again, we're working at a systemic level, working with other departments, as opposed to direct business-facing initiatives.

MR. HOUSTON: How will Nova Scotians be able to judge a success of the Department of Business? If we're sitting here a year from now, what would you like to be able to point to and say, this is something we've done and we're really proud of this as a department?

MS. WOODMAN: We'd be very proud if businesses find government very easy to do business with, that they know where they can gain support and which departments are supporting them, that we've made a significant difference in coordination and access, and that we're seeing true evidence of that within a year.

MR. HOUSTON: Can you share any of the evidence with us?

MS. WOODMAN: I'm saying we're looking for . . .

MR. HOUSTON: Oh, I thought you were saying you could see it already, but not yet - too early yet.

The Invest Nova Scotia Board, it's now in place. Do you have any interaction with that board?

MS. WOODMAN: Yes, I do. I am a non-voting member of the board.

MR. HOUSTON: Did I hear you say earlier there is one possible transaction that board's looking at or none yet?

MS. WOODMAN: The board launched the fund in September and has so far received five applications and is actively reviewing those applications.

MR. HOUSTON: Do you have a budget for the board? Is it likely to know how much investments they would like to make per year?

MS. WOODMAN: The board has a budget of \$5 million for this year, and has the authority to award a single application of up to \$3 million. If it exceeds that amount, it must go to Treasury Board for approval. A minimum investment is \$500,000.

MR. HOUSTON: I did hear you mention something about Internet service in rural Nova Scotia. That's something that's of keen interest to me because that's a big problem across many parts of rural Nova Scotia - in particular, many parts of Pictou East. I think I

only have two minutes left, but I'm wondering if you could leave us on a good news note. Maybe you can share with us how soon all the residents of Pictou East will be able to enjoy high-speed Internet service.

MS. WOODMAN: We do see this as a priority for business across our province and we have begun working with communities as well as seeking expert advice, seeking a consultant to assess the gaps across our province, identify what solutions exist in communities, what solutions exist that will require co-ownership, if you will, so a contribution perhaps from government but active participation from residents, municipalities, associations.

Then we've started having meetings within communities to discuss not just the issues they are faced with but also the opportunities and the chances for a coordinated result and support.

MR. HOUSTON: Am I done?

MR. CHAIRMAN: You have another minute.

MR. HOUSTON: I think I heard there was going to be a consultant hired to look at the gaps. Has that consultant been hired?

MS. WOODMAN: Not at this stage, no. It's in the process at this moment.

MR. HOUSTON: So RFPs will go out. Will that be tendered?

MS. WOODMAN: It has been.

MR. HOUSTON: It has been tendered, okay. When does the tender close?

MS. WOODMAN: It closed and we weren't satisfied with the results so we've identified some changes in scope and launched it again.

MR. HOUSTON: Okay, you weren't satisfied in the context that the consultant was too much?

MS. WOODMAN: We're seeking high-quality support and we weren't satisfied with the results.

MR. HOUSTON: What's the timeline the consultant will have to look at the gaps? Is that part of the stipulations?

MS. WOODMAN: There is a timeline associated with and a scope of work around gaps, as well as recommendations for best solution, in addition with the opportunity to get engaged with the communities and help us with the true consultation.

MR. CHAIRMAN: Order, we'll have to move on to the New Democratic Party. Ms. MacDonald.

MS. MACDONALD: I want to go back to the Nova Star and just finish off some questions I have about that. There was a letter of agreement or a letter of understanding with a range of conditions between the previous government and the operator. Then the current government signed a contract.

I want to ask if there was ever any attempt to limit the funding to Nova Star per the items that were in the original offer. My recall is that the original offer was \$10 million for start-up costs and \$1.5 million for marketing but in the end, the company actually got \$21 million and needed an extra \$7 million in year one, which was not what was in the original letter of offer.

The question I have is, did anyone tell Nova Star that we have an offer, we have an agreement and you'll have to stick to it? How did that all unfold?

MR. CHAIRMAN: I'm going to allow some flexibility here but you should be cognizant that this particular file is in the Department of Transportation and Infrastructure Renewal so you might not get some of the answers that you are looking for. If you want to take the question, that's fine. Mr. d'Entremont.

MR. SIMON D'ENTREMONT: In the end, the \$21 million projection was one that was created by a panel that was established to try to look at what options were available to re-establish a ferry service. It looked at other studies that had been done, pulled in together whatever expertise they could.

At the end of the day, their projections were that a ferry operator trying to re-establish a service could expect to lose \$7 million in the first year, \$6 million, \$5 million, \$4 million, \$3 million, \$2 million, \$1 million, break even in year seven, which would lead to \$21 million. Based on that, that was the business plan, the basis for Nova Star's projections and business case. The government of the day was prepared to make an offer of offering a forgivable loan for that amount of \$21 million that would allow an operator to establish the business.

At the end of the day while that was the original intention, the requirement for start-up costs which were shared between government and the operator, as you say, are around \$10 million for start-up costs - the company invested a significant amount of money as well - required us to reshape the deal slightly to be able to allow that to happen, as part of our negotiations.

MS. MACDONALD: So in other words, they were never told that they needed to stick to the original offer.

MR. SIMON D'ENTREMONT: I would add that the original offer also included that it was their accountability to run a service for seven years, to do certain things, started within a certain amount of time, run it within a certain period. So those legal requirements still existed going forward.

MS. MACDONALD: I want to now ask the Deputy Minister for the Department of Business about the better coordination across Crowns, around the Tourism Agency. Recently - yesterday - we learned of the rather significant, lucrative contract that has been given to an Ontario company that will do the bulk of the creative work on the new tourism campaign. Were you aware of that as deputy minister?

MR. CHAIRMAN: Ms. Woodman.

MS. WOODMAN: Yes, I was aware of the contract being offered and the results.

MS. MACDONALD: I think Nova Scotians are genuinely puzzled and concerned, given what I've been hearing in the last 24 hours, that we're seeing work go outside of the province. Can we anticipate more of this? Is this part of the new business arrangements and climate that is being created in the Department of Business now?

MS. WOODMAN: There is certainly not a philosophy or a desire to shift jobs out of our province. We do believe that our Crowns - in this case Tourism - should have the authority to make their best decisions for business. I understand it was a completely thorough procurement process and was conducted with the proper measures and protocols.

The authority for that decision lies with the Crown. We were certainly informed at the Department of Business. It's not our job in the area of coordination to direct the Crowns but to be aware and to ensure that Crowns are also working within broad parameters of our private sector growth plan.

MS. MACDONALD: Is it of any concern at all to the Department of Business that we were unable to have a successful competition reach a Nova Scotia company that would keep the work of that particular contract here in the province?

MS. WOODMAN: Mr. Chairman, I ask if this is within the scope of the Jobs Fund discussion that we were asked to . . .

MR. CHAIRMAN: It's up to you if you want to answer the question. She's asking for your opinion but you're right, it is a decision that's not within the Department of Business, and that has been clarified, so you don't have to answer. She's asking for your opinion.

MS. MACDONALD: With all due respect, Mr. Chairman, the deputy minister has told us that she is responsible for the coordination and the alignment of the activities of the Crowns in the province, the Crown Corporations; to the best of my knowledge, Tourism Nova Scotia falls under that purview, so I'm puzzled why this wouldn't . . .

MR. CHAIRMAN: It absolutely is but she did make clear that the decision is within that group - it's an arm's-length group, Tourism Nova Scotia. So if you want to call them as a witness to dive deeper into that decision, then we can do that in the next agenda setting.

MS. MACDONALD: Well perhaps we'll have to do that but this is most unusual that the deputy minister responsible for these Crowns is unable or unwilling to be accountable for the decisions of the Crowns or to have any opinion with respect to the Crowns that fall under her purview. I'll move on.

MR. CHAIRMAN: I think she has clarified how the system works and she has given an opinion. If you want, we can continue down that path but we are here to talk about the Jobs Fund.

MS. MACDONALD: I'll move on, I have a question about another Crown and an announcement that was made. NSBI gave two payroll rebates to a Clearwater subsidiary - DSM. The first one - it's on the website - was \$1.2 million, 50 jobs to be created. This is a payroll rebate. The second is unclear of whether it's a payroll rebate or a grant. The Minister of Finance and Treasury Board and the Minister of Energy made this announcement on the Thanksgiving weekend in Mulgrave, although the OIC was signed earlier - \$5 million over five years, \$1 million a year.

I'm interested in knowing whether that is a grant or a payroll rebate, and how that all works. What are the benchmarks or the standards that are being required for that with that company?

MR. CHAIRMAN: Again, I think the specific question would be better posed to NSBI in terms of criteria around payroll rebates, but I will allow the question if you want to answer it, Ms. Kumaranayake.

MS. KUMARANAYAKE: I would refer the member to the accountability website. Day-to-day details could be provided by NSBI, but the targets related to the FTEs are posted so it is structured as a payroll rebate with targets. It's not a grant or an incentive, but an outcome-based payroll rebate.

MS. MACDONALD: Thank you. I want to ask a question about the investment tax credit. The current government set up a \$30 million capital investment tax credit for large corporations. Recently it was announced that Invest Nova Scotia didn't want to be in charge of that tax credit, so who is in charge of it now and how much has been invested by that credit and what companies have taken advantage of that credit?

MR. SIMON D'ENTREMONT: I can start off and maybe Lilani can continue. Originally there were some discussions around a role for Invest Nova Scotia in looking at how the investment tax credit is used. In the end, it was important for Invest Nova Scotia, as Deputy Woodman mentioned, to not be involved in the provision of direct assistance to business and to move away from making decisions around economic development and one business at a time, and to focus their efforts on creating the climate and the winning conditions for business.

At the end of the day, the investment tax credit is moving forward more as a traditional formula-based investment tax credit. Maybe Lilani can add comments on where we're at.

MS. KUMARANAYAKE: The legislation was passed last year and the regulations are just in the process of being finalized so that the credit can be implemented.

MS. MACDONALD: So there has been no activity in terms of actually distributing . . .

MS. KUMARANAYAKE: That is correct.

MS. MACDONALD: If I were to say to you that a very prominent and successful businessman in Nova Scotia recently let it be known that he thinks this is the least accessible government to the business community of any government that he has experienced, what would your response to that be?

MS. WOODMAN: Of course it would be very disappointing. I think we have the unfortunate situation that we have an economy that hasn't been performing well for 20 years, so it doesn't come as a surprise. It is the reason that this government has made some very fundamental changes in terms of how we work with business, how we see a business perspective, and change has started with the government in terms of how we reach out and respond to business.

MS. MACDONALD: I think everyone here would agree that transparency and accountability are important and any improvements in that respect are welcome, but I think ultimately what people really want is results - want to see jobs in the province. People are coming back from the western provinces and it's uncertain what the future is for many families, for example, who have relied on jobs somewhere else rather than jobs here. Based on what we've had here today, I don't see much hope in any immediate way for families who are wondering right now how they're going to pay that mortgage, so it is disappointing.

I want to ask Mr. d'Entremont a couple of questions about his current role as deputy minister.

MR. CHAIRMAN: Order, please. Sorry, the time has lapsed for you. We have to move back to the Liberal Party for 14 minutes. Mr. Maguire.

MR. MAGUIRE: I just wanted some clarification on a few things. First of all in regard to the tourism contract it is fair to say that a local company, Trampoline, will be reaping some benefits from that and local people will be employed, so that was kind of left out on the last statement.

There was a number that was floated around by the former Finance Minister of \$200 million that was given out. Is there some confusion here around the previous government how they had given out blank cheques and payroll rebates? I think there seems to be some confusion here - have we given out \$200 million? On my previous question your answer was that we did not give out any money so, where does this \$200 million come from?

MR. CHAIRMAN: Ms. Kumaranayake.

MS. KUMARANAYAKE: I believe that refers to the cumulative total, if you add up all the transactions on the accountability website, it totals \$195 million or so, about 46 transactions. Most of those are payroll rebates - I think about 25 to 30 of the transactions are payroll rebates - so those are ones which again we've talked about our money will be disbursed based on verified outcomes achieved.

A couple of the transactions that were there early on were related to equity transactions and convertible debentures. These were existing transactions from previous, long-term transactions that government looked at. Subsequent to that in the Fall of 2014, in the Act to Improve Economic Development in Nova Scotia, all equity transactions related to NSBI are now no longer in place. So these were some housekeeping things that had to happen with some of the portfolio that NSBI had, so those are also listed there.

Finally, there are only two Jobs Fund transactions there. One is the Yarmouth ferry, which OIC was prior to October 22nd, but it was still being proactively reported. In addition, the ferry amounts are being proactively reported even though they are now part of the operating agreements. The other part of that is the new Film and Television Production Incentive Fund; again, by legislation, they are now also required to report on that. So that \$195 million includes all of those.

MR. MAGUIRE: I just need some clarification from Deputy Woodman. It was said by the member for Pictou East that we're \$10 million over budget. Are we over budget or are these contracts that are changing, these are contracts that are meeting - they're just complex contracts?

MS. WOODMAN: This doesn't represent any new spending. This represents changing, timing and conditions of the deals that we are managing or have been managing.

It can be as a result of a business failure around write-down incentives though that are meeting milestones earlier than expected, so timing has a lot to do with it. Loan forgiveness occurring at a time that wasn't anticipated would also impact that.

As I mentioned, it has not been unusual in the history of the Jobs Fund to have a difference, a variance at the end of the year. Again, this is largely due to timing and to how the account is being treated and it can be anticipated that it will occur again in the future. Most importantly, it does not represent new commitments in any fashion.

MR. MAGUIRE: So no new money?

MS. WOODMAN: No.

MR. MAGUIRE: So there has been a lot of, I guess we'll call it some doom and gloom here today and we appreciate you all being here and answering the questions, but I want to talk about some of our successes. It has been recently announced that Nova Scotia has the biggest export growth. What impact does that have on investors' confidence for Nova Scotia and our local communities? Also, what impact does that have on our economy?

MS. WOODMAN: Exports, as stated in several expert reports, are very fundamental to our future. It represents wealth creation as opposed to wealth redistribution, so incredibly important and truly a focus of our private sector growth plan. It's also speaking to coordination, alignment and having established the importance of traded sectors core to our plan, we're ensuring that Crowns and agencies are also working towards the goal of trade and exports. It's very vital to business confidence but also to the business climate.

MR. MAGUIRE: So this is something we should be celebrating, right?

MS. WOODMAN: Absolutely.

MR. MAGUIRE: Besides yourself - I know that you are new to the role - there are some very experienced people around the table when it comes to NSBI, the former Department of ERDT. I'm sure you've all worked with several different governments along the way. How have things changed within the new Department of Business in regard to transparency, in regard to accountability and also in regard to taxpayers' dollars? Ultimately this is all about making sure there is accountability around our public money, so how has it changed?

MS. WOODMAN: We certainly take accountability and transparency very seriously; it's calculated in all our work. A very specific example was the information that we released earlier this summer relative to the question of the Jobs Fund. I don't think that

ever before has such a complete composite been provided proactively to the media and on our website.

To take the example of Invest Nova Scotia, certainly minutes are being made available to the media, and there's actually a move within the board to post minutes going forward. The agreements with future organizations will be based, in principle, about accountability and transparency, so there will not be the issues that have occurred in the past with confidentiality agreements. There will be an understanding upon entry with any new organization under Invest Nova Scotia that this expectation of transparency will be required throughout the duration of any relationship.

So we're really starting at a new place with a whole new approach that is understood not only by the department but by the Crowns and by any organizations that work directly with us.

MR. MAGUIRE: So it's safe to say that decisions will not be made behind closed doors and outside of the public eye, sometimes for political gains so there's some transparency there. I'm sure you've had a positive reaction, I know I've had a few people comment to me around the website and it's good to see that we are seeing where the public money is going and what it is going to.

I have just one last question - there seems to be some confusion here today around forgivable loans, handouts to business, and payroll rebates. Just to make it perfectly clear and put it on the record, what is the difference between handing a cheque to a business or going through payroll rebates?

MS. WOODMAN: I'll get Lilani to explain.

MS. KUMARANAYAKE: I just wanted to comment on a previous answer when you asked me about the \$195 million - \$50 million of that was the Credit Union Small Business Loan Guarantee Program which we had spoken about earlier.

In terms of just clarifying the different types of instruments, the payroll rebate is provided on an outcome basis, so money is not flown until FT commitment or payroll-based commitment is verified. This was the type of incentive that Tom Traves particularly advocated in terms of much more outcome-based approach.

Things like forgivable loans are based again on the idea of setting some kind of target and if you have that target, you earn some forgiveness. Again, it depends on what the targets are and how you can structure that. Typically with forgivable loans, you may actually get funding up front and then get the target and then you earn your forgiveness, whereas with a payroll rebate you get no funding up front and you only get disbursement if you have met a target. That's pretty much the difference generally.

MR. MAGUIRE: You get the money when the results are concrete.

MS. KUMARANAYAKE: Correct.

MR. MAGUIRE: Excellent. Why does Nova Scotia need payroll rebates to stay competitive?

MS. KUMARANAYAKE: I would actually refer the member to the Traves report where part of the reason why we asked for that report was to get an understanding of the role of economic development incentives. He was very clear that there continues to be a role, but done and managed well. So some of the characteristics that he advocated for were the arm's-length decision making, the outcome basis, the ability to evaluate was another clear criterion that he put in. The payroll rebate has all of those characteristics. They are within the purview of the private sector-led board at NSBI. It's arm's length and there are quantifiable outcomes, which are verified and easily monitored and evaluated.

MR. CHAIRMAN: Mr. d'Entremont, did you want to comment?

MR. SIMON D'ENTREMONT: If I add as well, basically Nova Scotia is still competing against other jurisdictions for investment from companies who will sometimes play the field, I guess you would call it, in terms of looking around to see where there are different places where they could set up their investment opportunities.

NSBI has a great reputation across Canada as being an organization that's very good at trying to maximize the leverage that we can use. Often, of course, you want to describe how it's a good place to do business, low cost to do business and Nova Scotia has a great environment to attract you - 10 universities. They go out and sell Nova Scotia, but at the end of the day a little bit of incentive to be able to compete against other jurisdictions that are offering incentives can be a required part of attracting that investment.

Again, government's position on that is that providing those types of incentives is okay in certain forms that are very accountable like the payroll rebates, and also, as long as they are administered arm's length from government, which has private sector people making those types of decisions.

MR. MAGUIRE: I will pass it on to my colleague, but the words I keep hearing over and over from you are accountability and arm's length, so it's safe to say that we're heading down a different road than the past, but a positive road for all Nova Scotians. With that, I'll hand it off.

MR. CHAIRMAN: We have two minutes left for the Liberal Party. I'll go to Mr. Stroink.

MR. STROINK: I guess I kind of want to follow up on a comment that the member for Halifax Needham said about a business owner feeling that this is not an accessible place to do business. I guess with the allocation of time and energy towards red tape reduction and the Department of Business, which is now operating, how are those two things specifically supporting the business community and how are those programs working to enhance business, especially on the export, especially with COVE and all of those great things that are happening?

MS. WOODMAN: There would be, I'd say, three fairly specific priorities going forward for our private sector growth plan that we've evolved through the Department of Business, but really in working with the Crowns and with the departments that will make the difference that we feel is necessary for business. One is a focus on the business climate, so that is what you referred to about regulatory, but also ensuring that there is the right labour markets, that we're listening to industry about what their labour needs are and that we're being responsive in terms of ensuring that they have competent, qualified labour force.

The next focus, as I've already referenced, is that trade sector focus and the importance of that and the opportunity for our province in the area of wealth creation around the trade sector. So we'll be not only, as I say, working with Crowns and departments, but also with our agreements, our alignment and outcome agreements ensuring that there are measures.

The point was made earlier about results. Well, we're not just getting along through coordination - we're also holding each other accountable for clear results, evidence-based results that show that we're reaping the benefits that we're seeking.

Thirdly, we're very much focused on where our strengths are. We can't continue to be all things to all players. Nova Scotia has some very unique advantages - I cited them earlier in my opening remarks around the sectors of oceans, ICT, agri-food and seafood. We have a strong advantage there. We're already performing very well so we'll be ensuring that as many of our tools, whether they be access to capital or . . .

MR. CHAIRMAN: Order. Time has lapsed for questions, but if you want to continue on, you have opportunity to provide closing remarks. You can keep going if you like. Ms. Woodman.

MS. WOODMAN: I'll just continue with the end of the answer which is, we're going to be working very carefully to ensure that those tools that are at our disposal are utilized on those three areas of priority on the business climate, the trade sectors and the high-performing sectors that are specific to our unique Nova Scotia advantage.

MR. CHAIRMAN: Thanks very much and thanks to the witnesses for coming in today.

For committee business we have correspondence from the Office of the Auditor General and that was pertaining to information requested at the September 30th meeting. All members would have that now.

The next meeting date is November 4th and that will be on the Office of the Auditor General's November 2015 Financial Report.

We now stand adjourned.

[The committee adjourned at 10:51 a.m.]