

# **HANSARD**

**NOVA SCOTIA HOUSE OF ASSEMBLY**

**COMMITTEE**

**ON**

**PUBLIC ACCOUNTS**

**Wednesday, January 10, 2018**

**Legislative Chamber**

**Funding Ocean Innovation Centre:  
COVE (Centre for Ocean Ventures and Entrepreneurship)**

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## **Public Accounts Committee**

Mr. Allan MacMaster (Chairman)  
Mr. Gordon Wilson (Vice-Chairman)  
Mr. Ben Jessome  
Ms. Suzanne Lohnes-Croft  
Mr. Brendan Maguire  
Mr. Hugh MacKay  
Mr. Tim Houston  
Hon. David Wilson  
Ms. Lisa Roberts

[Mr. Ben Jessome was replaced by Ms. Rafah DiCostanzo.]  
[Ms. Lisa Roberts was replaced by Ms. Claudia Chender.]

In Attendance:

Ms. Kim Langille  
Legislative Committee Clerk

Ms. Nicole Arsenault,  
Assistant Clerk, Office of the Speaker

### **WITNESSES**

#### Department of Business

Mr. Kent Roberts,  
Managing Director - Business Relations and Innovation

Ms. Jennifer Angel,  
Acting President and CEO -  
Waterfront Development Corporation Limited

Mr. Jim Hanlon,  
CEO - Institute for Ocean Research Enterprise

#### Department of Labour and Advanced Education

Mr. Duff Montgomerie,  
Deputy Minister



House of Assembly  
*Nova Scotia*

**HALIFAX, WEDNESDAY, JANUARY 10, 2018**

**STANDING COMMITTEE ON PUBLIC ACCOUNTS**

9:00 A.M.

CHAIRMAN

Mr. Allan MacMaster

VICE-CHAIRMAN

Mr. Gordon Wilson

MR. CHAIRMAN: Good morning. I call this meeting of the Public Accounts Committee to order. This morning we have the subject of Funding Ocean Innovation Centre: COVE (Centre for Ocean Ventures and Entrepreneurship).

I would like to remind everyone to place their phones on silent so we do not have interruptions.

We'll begin with introductions, starting with Mr. MacKay.

[The committee members and witnesses introduced themselves.]

MR. CHAIRMAN: We now have time for some opening comments. Mr. Montgomerie.

MR. DUFF MONTGOMERIE: Good morning, Mr. Chairman and committee members. We are pleased to be here this morning to update you on Nova Scotia's innovation ecosystem and talk about the exciting work under way at the new Centre for Ocean Ventures and Entrepreneurship, known as COVE.

I should indicate to you that the Department of Business has been the lead on this project, and Kent has been the point person and has helped coordinate and drive the process. Jennifer and her team from the Waterfront Development Corporation have been amazing in making sure we stay focused, particularly the actual work on the site and other areas, in close co-operation with the Nova Scotia Community College folks. If you want to meet a subject expert on oceans, Jim is your person - an incredibly knowledgeable individual on this sector, and we're very, very lucky to have him as part of the team.

I want to thank them for participating in today's discussion and more importantly, for working so hard to help move this exciting project forward. My colleagues will provide support when we move into the question and answer period, and I may get the questions and they will provide the answers because they're much more knowledgeable than I am.

I also want to acknowledge the important contributions other organizations like the Nova Scotia Community College, Innovacorp, Nova Scotia Business Inc., and Dalhousie University are making to this project. COVE is about collaboration, working together and succeeding together. As you look at our whole innovation ecosystem, that's what it's all about - getting people working together and focused.

COVE is also about driving innovation. Our economic future depends on being innovative. We must explore new ways of doing things to grow our economy, create jobs, retain more young people, increase the number of new businesses, drive exports, and be more competitive. That's why the Government of Nova Scotia is investing in innovation and giving entrepreneurs and researchers the support they need. A quote from a well-known person says it all: "I believe in innovation, and the way you get innovation is that you fund research and you learn the basic facts." That's Bill Gates, somebody who has a little bit of knowledge on innovation.

The Government of Nova Scotia is also working with our 11 post-secondary institutions, the private sector, business organizations, and other levels of government to build innovation districts in Halifax and in Sydney as well as in rural Nova Scotia that stretch out into other communities. An innovation district is a compact area where leading-edge companies and research institutions cluster with start-ups, business incubators, and accelerators. Innovation districts enable growth. They also foster collaboration and nurture talent.

Here in Halifax, we are rich in talent. There are six universities, the Nova Scotia Community College, a modern state-of-the-art library, many hospitals and research labs, the Bedford Institute of Oceanography, the shipyards, and Canada's navy - all located near COVE.

We also have a very vibrant technology sector. I don't know if you know, but Halifax is already Canada's fifth-largest technical hub. Start-ups like Kinduct Technologies, Manifold, Swept, SeaSmart, Ocean Executive, Swell Advantage, and

LeeWay Marine are building innovative technologies and selling them to the world. Being number five is fantastic, especially for a city of Halifax's size, but we hope to do even better in 2018 and 2019 with the launch of COVE, the expansion of both the labs, and the continued strength of Innovacorp's accelerator programs.

To foster innovation and encourage entrepreneurship, the government has also invested in collaborative collision spaces - a wonderful name, the short name is they are called sandboxes - hosted by our universities and the Nova Scotia Community College. They give innovative and entrepreneurial Nova Scotians a safe place to experiment, learn from their peers and connect with industry to develop ideas that could become programs, products and businesses.

Nova Scotia's seven sandboxes are helping to foster ideas across the province in areas like agriculture, ICT, and clean technology. An eighth ocean sandbox, led by Dalhousie in collaboration with the Nova Scotia Community College, will be launched in 2018 - perfect timing, we think things are really lining up.

The government has also created a new trust for supporting high-calibre academic research, called the Nova Scotia Research Trust. That trust recently awarded \$6.5 million in funding to nine ocean-related projects. The researchers that received that funding are building innovative products and services with high market potential, like a new tank system for finfish and shellfish. They are also creating jobs. The first nine projects funded through the trust are expected to generate approximately 170 jobs in Nova Scotia, plus training opportunities for more than 200 research graduates, interns, lab technicians, project managers and faculty.

By continuing to fund high-calibre research we can grow our economy, drive innovation, create jobs and complement the great work happening at COVE. When COVE opens this Spring, it will become another key element of Halifax's emerging innovation district. It will serve as a hub for our ocean economy, bringing together researchers, entrepreneurs and establish businesses to develop new technologies, advance existing products and bring them to market.

Approximately 30 small and medium-size companies will become the first residents of COVE and five start-ups will join COVE's new start-up yard. All this growth and activity will happen on the Dartmouth side of the harbour, in the former Coast Guard site. Together the province and the federal government - who have been amazing partners in this project - have contributed nearly \$20 million to renovate that site, resulting in 53,000 square feet of work space, plus 3,000 feet of deep-water harbour frontage. There will be space for start-ups, researchers, as well as established businesses, to work on marine-related projects that we anticipate will cover a range of ocean sectors, from defence and security to tourism, to fisheries, aquaculture to energy and to transportation.

As noted at the beginning of my remarks, it takes many, many partners to manage a project this size and create a community like COVE. I'll just briefly outline the role of each partner, to help you understand how all this fits together - it really is a collaborative effort. The facility is owned and managed by Waterfront Development and Waterfront is also leading the planning and development for the facility itself, in collaboration with the community college. Innovacorp will manage the incubator for start-ups with COVE, known as the start-up yard, and Innovacorp will also manage the programming for entrepreneurs, bringing new and more established companies under the same roof.

The Institute for Ocean Research Enterprise (IORE) will develop and manage the programming, services and initiatives for COVE members, as well as recruit and secure tenants, in partnership with Waterfront Development. The private sector has played an amazingly key role in IORE and COVE in raising the bar for research and innovation in our region and beyond.

NSBI will deliver export development programming to the COVE tenants and the NSCC, who is helping to manage the renovation of the facility along with Waterfront Development, will connect COVE to our post-secondary system and complement the work of other bodies, like Research Nova Scotia. Dalhousie will help COVE collaborate with other leading national and international ocean science institutes, leveraging its considerable expertise and assets in ocean research.

The ocean is where Nova Scotia will win and we're very confident that COVE will make our already vibrant ocean sector even more competitive. NSBI estimates that there are currently more than 300 ocean-related companies currently working out of Nova Scotia in an industry worth more than \$4.5 billion annually.

Ocean-related activities, including the fishery, defence, security, shipbuilding, marine transportation, offshore energy, tourism and ocean companies also directly account for more than 35,000 jobs in our provincial economy. We expect those figures to rise significantly with COVE. It will serve as a catalyst for broader economic growth by bringing the private and public sectors together and by encouraging businesses and researchers to work together.

Certainly that is the premise of the federal government's supercluster initiative - to get the private sector working together on common challenges. We were absolutely thrilled that the Government of Canada named Atlantic Canada's ocean supercluster as a finalist for their new fund earlier this winter. It's a wonderful opportunity for Nova Scotia and our region. COVE is the ideal spot for ocean enterprises to work together. It is ready-made for the supercluster initiative.

With COVE entering its final phase of development, we can't wait to show you what we've been working on. In the meantime, we would like to personally invite each member of this committee to tour COVE this winter so you can see it for yourself and share

in the excitement. Jim and Jennifer are excellent tour guides and they have offered to take you around.

Thank you for your patience and thank you for the opportunity to appear before this committee and update you on COVE. My colleagues are more than happy to answer your questions.

MR. CHAIRMAN: Mr. Houston, you have 20 minutes.

MR. TIM HOUSTON: Thank you for the opening comments and the enthusiasm. It certainly sounds like an exciting project. I see that it's scheduled to open in Spring 2018. Is it on track to meet that schedule?

MR. MONTGOMERIE: It is on track to meet that schedule.

MR. HOUSTON: Is that a new schedule? Has the date been moving or has it always been the plan?

MR. MONTGOMERIE: If it's okay with the Chairman, I'd refer that to Jennifer who would be more knowledgeable on the timelines.

MR. CHAIRMAN: Ms. Angel.

MS. JENNIFER ANGEL: As the deputy indicated, we are still tracking a Spring substantial completion. There has been compression in the construction, as you might expect in a project of this scale and complexity, but we've been able to create overlap so tenant fit-up can now begin while fit and finish is finishing on the broader building. We still believe that we will have substantial completion and tenant fit-up in the Spring, but there has been compression in the schedule.

MR. HOUSTON: So tenant fit-up, that doesn't necessarily mean occupancy. It means that they're in there doing their leasehold improvements - is that what that means?

MS. ANGEL: That's right, but it's still in progress, but based on our current projections we do believe there will be some early occupancy in the Spring as well - so not just fit-up.

MR. HOUSTON: Do you have a specific month in the Spring?

MS. ANGEL: We think that we will be able to allow fit-up to begin in early May. Again, that's alongside - there's still construction under way, particularly exterior construction, site construction - asphaltting, for example, which is seasonal, so it can't be done now. It must be done once the asphalt plants open. So May/June is likely when you'll

begin to see the tenant occupancy beginning. Again that's subject to any further pressure on the timeline, but based on our best projections today, that's the schedule.

MR. HOUSTON: When would you expect that it would be fully occupied?

MS. ANGEL: That's a great question. That's not just on our timeline. Some of the prospective tenants - and you'll hear from my colleagues a little later on about the enormous response we've received, which is very promising. Some of the tenants are in existing leases or have transition plans of their own, so we expect it will be over the next six to nine months that the uptake will happen in terms of tenants moving into the site.

MR. HOUSTON: In terms of it being ready for tenants, it's before the six to nine months.

MS. ANGEL: Absolutely.

MR. HOUSTON: I want to talk about the response to the call. I think the call went out in October for potential tenants. How many applications did you receive? What was the interest level?

MR. CHAIRMAN: Mr. Montgomerie.

MR. MONTGOMERIE: The secret to all of the things that we're doing in innovation is the private sector. The ability for the private sector to feel comfortable and feel excited to be part of this - that's our litmus test. We've had approximately 50 companies already express interest. I'd refer to Jim to give the honourable member a little bit more detail on the makeup of that.

MR. CHAIRMAN: Mr. Hanlon.

MR. JIM HANLON: Yes, I took the liberty of going through the responses we've had so far. We've actually done a two-round call. Initially it was a call for expression of interest without a lot of particulars on the table for the candidate companies. We had upwards of 100 organizations express interest at that earlier phase. Round two - we had the particulars of the facility on the table, including the lease rates. With that information, as the deputy indicated, as of Monday we had 51 organizations responding in the affirmative, saying they're interested in taking space.

It was a fairly thorough set of questions they were answering to get to that stage, including how many people they would want to have there, what sort of facilities they would be engaging there, and how many square feet of office/lab space they would be occupying. With that all in mind, I sort of took a quick look at the spreadsheet on Monday. As I said there's about 51 organizations as of Monday.



[9:15 a.m.]

Nova Scotia-based were about 39, 10 from the rest of Canada, and two international as of this point. Private for-profit companies, so fully engaged private sector companies, were 41 of the 51. Not-for-profit organizations were about six.

Those are interesting - in several cases, those are actual trade associations, which we see as high-multiple tenants in the facility. As an example, the Nova Scotia Boatbuilders Association is interested in having a desk there, a single occupant. But for us, that is high leverage because they represent in turn 15 or more individual small boatbuilders around the province, so those are high-value tenants from our point of view.

The mix between product and service is about even - 23 product, 28 service. It's a nice blend of service and product companies.

We're very well known internationally. If someone was to ask the question in San Diego, what happens in Nova Scotia around ocean tech, the answer would undoubtedly be sensors, and that's reflected. Of the respondents, 11 of the organizations, 11 of the companies, are manufacturers and developers of ocean sensors, which is the overweight that we have in our area.

In addition, we have three software companies, two mechanical systems companies, five platforms and vessels, one material company, and two biotech companies. In terms of the markets that they're addressing, it's across the map. Our hope ultimately is to have a nice blend across all sectors of the ocean economy. Those would be aerospace and defence, food from the ocean, energy from the ocean, marine transportation, and marine tourism. As of right now, we have a good blend of those. I would say we're a little underweight on the bio side, on the food side. We're probably working on that, but in general, we're getting a good blend of occupants.

We have added up the number of employees, if we were to take all those 52 organizations - which we can't - that represents something upwards of 260 employees on site. When the Coast Guard was operating the site in its full heyday, they had somewhere around 220 people there, so this is more people than we can accommodate. In terms of the square footage requirements, this adds up to about 52,000-plus square feet, and we actually have less than 50,000 available.

The good news in all this is that there is huge demand for occupancy at COVE, so I think there's a success story to be told here. Even before we open, there's great demand for the space.

MR. HOUSTON: I want to thank you for that answer. Sometimes at this committee I ask a question like, how many applications did you get, and I have to ask the same

question about 10 or 15 times to get an answer. That's probably the most detailed answer I ever got to a simple question, so thank you for that.

MR. HANLON: Forgive me. I'm an engineer.

MR. HOUSTON: So there's good demand, good response, 51 serious applicants, I guess I would call them. Was it 30 spots? How many was it?

MR. HANLON: It depends to some extent on the footprint of those individual organizations. If you do sort of an average of four or five people, I think we can accommodate in the mid-20s in terms of the organizations. In an ideal scenario, we want to have more organizations with smaller footprints to maximize the intersect opportunities, the synergy opportunities.

MR. HOUSTON: What do they get in simple terms? Obviously they get a good facility around like-minded companies and a good location and stuff. Is it a cheap place to be too? Is the square footage on par with others?

MS. ANGEL: We did a rigorous market index before we set our price card. That was done with the assistance of an external consultant. We believe that the rates are close to market but also representative of the value-add at COVE.

Jim began to speak to it, but it's specifically access to water, access to shared amenities - tools and workshops; onsite there will be program experts, and Jim will speak more about that - as well as marketing opportunities. There's a lot of value-add at COVE that you wouldn't receive in a traditional warehouse facility or office facility for example.

That said, we're not ultra premium to the market. We're very close, but we do have a slight premium to capture that additional value-add.

There is also something in not competing directly with the private sector. As Jim mentioned, this is not a traditional real estate play. We are not seeking those conventional large, high covenant, anchor tenants. We're seeking a small representation, a small footprint, by a lot of companies that together will achieve the economic development objectives of COVE.

MR. HOUSTON: Are people signing on the dotted line just yet?

MS. ANGEL: We are actively meeting with the respondents to the most recent call. As Jim said, that was a much more meaningful call in terms of us having hard data, us having rental rates published, et cetera. Before the holidays and as soon as this Friday, we have probably met with close to 30 companies now, we will have met with all the respondents by mid-month. Our intention is to get into term sheets, offers to lease by sort of mid-February.

MR. HOUSTON: In terms of the ongoing finances of the facility, the price per square footage is probably - is it set up to cover the costs? I see the province's - I think I read somewhere \$350,000 a year - is that the whole government investment in the annual costs or is that just the province and the other government organizations? I wonder what you can tell me about the ongoing financing of the facility.

MR. MONTGOMERIE: I'll start and look for my colleagues to sort of backfill a little bit with me. We provide funding to COVE, such as the oceans incubator at \$300,000 in program development and approximately - to the honourable member's point - \$350,000 per year once the facility is operational. The goal is over a five-year period to get it to be self-sustainable, but obviously in the start-up - and we're pretty excited about the number of companies that want to be in there and once it gets up and going, we could see that change but the budgeted figure is approximately \$350,000 a year.

MR. HOUSTON: That's the province's portion?

MR. MONTGOMERIE: Yes, that's correct.

MR. HOUSTON: Would the feds have a portion of ongoing operations?

MR. MONTGOMERIE: The Government of Canada is not directly involved in the operational side but we would probably be accessing many of the programs that they do provide, from an innovation perspective, as we do in other innovation sectors, but to the actual operational costs, no, they don't provide.

MR. HOUSTON: Okay.

MR. MONTGOMERIE: I think Jennifer might have a comment.

MS. ANGEL: The \$350,000 annual operating subsidy relates directly to the start-up yard, which is consistent with Innovacorp's incubation programs elsewhere, a very successful track record in incubation programs. The operating costs related to the facilities - the buildings, the site, et cetera, property taxes, electricity, snow clearing, all the stuff that you would normally pay as a landlord - those are fully covered, based on our projections for site-related revenues. Depending on the ultimate leases signed - and again, we're very optimistic based on early response, what we will achieve there - we will generate between a break-even and a small surplus annually on the site, which could be used for reinvestment in program or facilities.

MR. HOUSTON: I guess what I'm thinking about is in the 51 organizations that have expressed an interest or gotten further than even an expression of interest, 10 from the rest of Canada and two from international - who is this facility competing with? Is there another one of these somewhere else on the East Coast or is this really a unique thing to Nova Scotia?

MR. HANLON: I'll take that one. It's something I spend a lot of time looking at. My background is full private sector, so I'm a recovering ocean tech entrepreneur twice over. Having worked here and in New England and in other parts of the world around the ocean tech sector, my observation is that it is unique. Early on we did a comparable study working with our friends at NSBI, looked at about a dozen different organizations around the world doing similar sorts of things.

The unique features of this one, not just on a regional basis but on a global basis, is this mix of incubation, plus what I would call an ocean tech park. We're blending in pretty thoroughly, representation from pure start-ups, new entrepreneurs, existing in-market companies - small, medium and large - as well as applied researchers, and researchers and students from the community colleges and the universities, which I think creates a unique blend and a unique opportunity for this one to succeed.

In answer to your question, it is fairly unique. When we're drawing candidate tenants in from the rest of the world, the rest of Canada, they're coming here frankly because of the excitement around COVE and the whole ocean economy in the region. So we don't have to try very hard to get their attention, they're very attentive to what's going on here right now.

MR. HOUSTON: That's interesting. Mr. Chairman, when I got the package for this I thought, gee, this really isn't in the scope of the Public Accounts Committee at all. The Public Accounts Committee looks at things that have been spent, looks backwards, and this is very much looking forward, but I can see your excitement for it. It would be good probably to come back at some point and see how it all materializes and I think I would look forward to that. That might be more appropriate for this committee, but we're here so we might as well have some fun.

In terms of the 35,000 jobs that are in the ocean sector in Nova Scotia, which is a pretty impressive number, that should grow based on something like this. Have you done the analysis as to what could be the impact of this facility on the economy of Nova Scotia?

MR. MONTGOMERIE: I'll refer that to Jim, if I could. He would be much more knowledgeable on that than I.

MR. HANLON: I want to start with a global comment and then come down to Nova Scotia really quickly. At a global level, in July 2016, the OECD did a study on the ocean economy globally. They projected that by 2030, the ocean economy would double to some \$3 trillion U.S. That's higher than the compounded annual growth rate of the global economy as a whole by far, by probably 1.5 percentage points.

The point is that the ocean economy itself is growing. The reason that it's growing is because of a huge demand by a growing population for ocean resources on the one hand. On the other hand, my observation is that - I've often said in sort of podium time - the

ocean industry has transformed dramatically from brawn-based to brains-based in the last 10 years and continues to do so, so the ocean economy is becoming a knowledge economy.

What we're finding is that there will be GDP growth per capita because these are high-end jobs that are being created, and there will be disproportionate growth in the resource economy of the ocean - the fishing industry, the energy industry, and the associated security and defence industry - because of the advent of use of high-leverage technology and science.

The play that we're focusing on is not just growing the ocean economy in general, but growing the ocean economy through the use of science and technology, through the use of injecting high technology and knowledge-based workers into the field.

I think it's likely to succeed. I think you will see result in growth in GDP, in job employment. We have not as of right now, at least at my level, done an analysis of what the actual numbers will be on that, but I think it's something we'll get pretty clear focus on as the whole facility opens up.

I would say one more thing, which is that we are starting from a very strong position. The Nova Scotia ocean economy is some 13 to 14 per cent based on oceans. If you compare that to national numbers, it's about 2 per cent. If we want to increase the economy of Nova Scotia, there's a high sensitivity to that variable. Putting effort into growing the ocean economy will disproportionately grow the Nova Scotia economy.

MR. HOUSTON: I accept that. Maybe the deputy wants to add . . .

MR. MONTGOMERIE: I think my colleague from the Department of Business - the lead - might be able to add to those comments.

MR. KENT ROBERTS: I'll just add a little bit that from the creation of the Department of Business and even before that - if you think back to 2011 and the Defined by the Sea report that lead into the shipbuilding contracts and so forth - our role at the Department of Business is really to not only execute economic policy, but to hopefully inform government on where to allocate its scarce resources to grow the economy of Nova Scotia.

It sounds a bit like a no-brainer, but certainly as the work was completed in the old Department of Economic and Rural Development and Tourism, through 2001 to 2014, to Ray Ivany's report, oceans has certainly risen as a place that Nova Scotia will win in, as the deputy alluded to. COVE is just a piece of that. When you look at what's happening from the Ocean Frontier Institute at Dal to the super clusters to tidal energy in the Bay of Fundy, there's no question that oceans is the right track from an economic development perspective.

MR. HOUSTON: Thank you for that. Were there any other sites considered for this? I do hear from people around the province saying, we have a nice port and a lot of facilities - why couldn't we have that outside of metro? To be honest, that's what I hear. Were there any other sites considered?

MR. MONTGOMERIE: A combination of things, as Kent alluded to, was the planning and really trying to focus on the ocean side, and all of a sudden, this thing called the Coast Guard base became available right on the waterfront with deep sea right in front of it, so I think the two just came together by a force of good fortune and nature.

[9:30 a.m.]

MR. HOUSTON: Did you mention in your opening - I think you might have - about possible satellite offices or other - you might not have, but is there an opportunity for satellite operations?

MR. CHAIRMAN: There's still time.

MR. MONTGOMERIE: That's a really good question. In the context of COVE being a place in Halifax, the ramifications across the province are enormous. We have the community college in 13 campuses right now, they do a lot of ocean scenarios. We have Acadia that's doing tidal and we have the Université Sainte-Anne - many people do not realize that they have an amazing research component with companies in the seafood sector. All of those will feed into this COVE scenario, as it does right now with Dalhousie and the community college and Université Sainte-Anne, so a great question.

MR. CHAIRMAN: Thank you. We'll now move to the NDP caucus and Mr. David Wilson.

HON. DAVID WILSON: Thank you for being here today, a lot of interest in this area, especially since I have a daughter in second year university who wants to be a marine biologist so I'm hoping that you're going to work hard to make sure that she stays on the East Coast. She did work on the West Coast last summer and I'm hoping she could stay closer to home when she finishes her studies.

It's definitely an exciting time and it looks optimistic that there's a lot of interest in this. I'll first go to the Deputy Minister of Labour and Advanced Education who I understand oversees, or is the head or the lead on this project, as a department. I'm just wondering why your department and not Business would maybe be the lead - if you could give us a few comments on that.

MR. MONTGOMERIE: Sure. Actually, the Department of Business is the lead and the original invitation was for myself and Deputy Coolican, and Murray would have been here and talking about the role that his department has played.

MR. HOUSTON: He's probably watching. (Laughter)

MR. MONTGOMERIE: He's probably watching, and by the way, he'll be grading us too. I'll get the text afterwards.

The Department of Business is the lead and Kent, quite frankly, has been the key component, so Kent, on a regular basis would be briefing myself, Murray, and Bernie Miller. Of course, Bernie now is the Acting Deputy Minister of Business.

MR. DAVID WILSON: Thanks for that. There is a federal component to this, it is my understanding there is federal funding of about \$7.1 million, and forgive me if I've got this wrong, is that yearly or is that the total amount from the federal government?

MR. MONTGOMERIE: We are fortunate in that the Government of Canada decided to do an infrastructure program focused around post-secondary but focused in such a way that they wanted the monies that were spent in that program to create innovation, to create new ideas, to create new partnerships. The community college took the lead in applying for those monies, with the support of the department.

The way that program worked, we would take our recommendations to our Cabinet, our Cabinet would then approve and then send the recommendations to Ottawa. Ottawa would make the final decisions, based upon those particular projects. In this case, they saw the COVE as an exciting opportunity to grow the economy in Nova Scotia and to create more innovative space. They committed \$7,171,900 towards the project.

They have obviously helped several of the other universities and the community college with some other capital projects under that program. That program is now done, unfortunately. I would like to see them reinstitute it because some amazing projects have come out of there, out of that program. That was their commitment.

MR. DAVID WILSON: So \$7.1 million - I believe the total over costs about \$19.7 million or so, right? Is there any indication - now did we receive that full amount or is that over the next number of years? Is there a breakdown on that? And to piggy-back on that, is there a breakdown on capital costs, maintenance costs, operational costs that you could provide the committee?

MR. MONTGOMERIE: I'll take a stab at the first part in the context of the Government of Canada in the original project set dates when these projects had to be completed. We, from the beginning, said those dates were way too ambitious, as did the other provinces. Most of our projects are on time for what we felt it would take to build them, so several of the projects have asked for an extension to complete and we're quite confident that that will occur.

If I could, Mr. Chairman, I would refer Jennifer to some of the more detailed answers around maintenance and capital, if that's okay.

MS. ANGEL: I'll try to unpack the question, and let me know if I've missed anything. The approved project budget is, indeed, \$19.7 million. These buildings are more than 60 years old. Not unlike renovating an old home, which I'm sure many of the honourable members can relate to, there is a lot of complexity. So despite very rigorous due diligence in advance, a lot of external advice and inspection, we are expecting always in a project of this scale and complexity to expect the unexpected. This project has proven no different.

We have a very capable - and I would say remarkable - project team that has ably led this project on a very tight, as the deputy said, timeline and budget to where it is today, which is nearly complete - approaching substantial completion. There are pressures within that original approved budget for which we will be seeking some additional funding.

Along the way we have mitigated many unexpected pressures. I'll give you a few examples to sort of illustrate what we're undertaking here. The siding on the buildings was never in scope. These are three rather substantial buildings - again, built more than 60 years ago. We replaced the roofs where there were leaks, and the siding was still showing as wet. As we peeled back the onion we discovered, in fact, that the siding was originally installed incorrectly, and that would become a perennial problem.

We made the decision - again, it was not in the scope of the original budget to do all new sheathing at a cost of \$1.4 million. That repair - which I think is the right way to frame it - not only solved the problem, it also made the buildings much more energy efficient and future-proofed them. So had we not solved the problem, in addition to impacting upon the health of the building, it also would have impacted on the longevity of the building.

So there have been things along the way. That's one example. There are others related to asphaltting, some structural things we weren't expecting. My colleagues at Waterfront Development, a very capable construction management team at the Nova Scotia Community College, the very experienced consulting advice from the Department of Transportation and Infrastructure Renewal, as well as PCL on site and other consultants - EastPoint Engineering - they have done a remarkable job of keeping this project on track.

Again, there will be - we believe today, without having done the final tender on civil, there will be pressure on the \$19.7 million, and we will be seeking additional capacity.

On to the civil - which is the largest, we think, outstanding item as yet unawarded - this site was not connected to municipal sewer. It had sort of a septic system and its water



facility was not robust enough to service the current fire suppression regulations and also the intended use of the site.

We had a very good solution in budget, which we worked to detail design. We were ready to go to tender and then it was determined with our partners at Halifax Water that that was not the best solution. There was concern that it was linking into the main trunk for the neighborhood and it's a pressurized system. It was felt that was not the ideal solution, so our team worked very closely with Halifax Water to devise a better solution, which is not only a safer overall supported solution, but also future-proofs the site, again for scalability.

We will be going to tender very shortly - this month - for a cost for a different civil solution. That will pressure our budget.

MR. DAVID WILSON: To the \$7.1 million that the federal government committed, will you be able to access that fully? It is my understanding you'll need to go back to look at hopefully future support from the federal government. In a quick answer, are we going to receive the \$7.1 million from the federal government?

MS. ANGEL: Yes, that is our belief.

MR. DAVID WILSON: It's interesting, all these challenges coming from a building site that was owned by the federal government. I would hope that they'll look at relieving some of that pressure on you. I'd like to pass off some of my time to my colleague.

MR. CHAIRMAN: We'll move to Ms. Chender.

MS. CLAUDIA CHENDER: Thank you very much. Not to put too fine a point on it, but just that last question around accessing the federal funding - do you have a time? I understand that their timeline was more ambitious than what we thought possible, but is there a time when you expect to access the full amount of that funding or a timeline that you could give us?

MR. MONTGOMERIE: Our department actually works with the federal government on this file because we're dealing with the universities and the community college. My senior leader on that file is Ava Czapalay.

I can get that more detailed answer for you, but my understanding is that there is a schedule of payment that's set out. They want the facility finished earlier than we're able to, as many of the other facilities across Canada are. We have asked for an extension, and we're confident that that will occur.

The Government of Canada has been very understanding. They actually toured the site. Maybe I can refer to Jennifer, who was part of that tour, to give some feedback that the federal officials gave.

MS. ANGEL: I wasn't part of that tour. I hear it was a great tour. (Laughter) But I can tell you that we're approaching these timelines and budgets with a great deal of conservatism. We're trying to ensure that we have the capacity to do the job in an approved timeline and budget. We still have the original very ambitious - even lofty - timeline in our sights. We will be very close. I think the generally held belief is that they will be achieved.

MS. CHENDER: I should have started by thanking you all for being here and noting that I am especially happy to see you here as the representative for Dartmouth South. It's a very exciting project for Dartmouth and for Nova Scotia, so we are keen to ask the questions. Whether or not it's in the purview of this committee, I'll leave to the more senior members, but I'm certainly happy that we're discussing it.

You mentioned, which I understand, the idea that you would prefer to have more smaller tenants interacting with one another for all of the reasons and synergies that we understand in that area. I guess I have two questions about that. You mentioned that you weren't seeking conventional anchor tenants. That being said, I know from having toured the site twice myself and having had conversations with Jim and others that there has been discussion around a larger military footprint or a larger government footprint in some portion of the site. I wonder if you could speak to whether that is likely to occur or is part of that current expression of interest that you're exploring.

MR. MONTGOMERIE: I'll start and ask Jim to add. One of the things I have learned in the last several years around innovation and driving innovation is that the days of anchor tenants are gone. You're looking to develop a site that's vibrant, that's able to change and adapt and be able to deal with companies that are looking for help to solve problems. That was a sort of traditional way of doing things - let's get an anchor tenant in here, and away we go.

Mr. Chairman, I would ask Jim to add to that.

MR. HANLON: Yes, I would totally agree with that. Early on we did very frequently use this term "anchor tenant." In fact, when you toured, we might have even used those terms. I think we have shifted to a different model, which is a presence from a multitude of organizations - small, medium, and large.

In addition, we think there's an opportunity for corporate sponsorship of the programs at COVE in a way very similar to what the Irving corporation has already contributed - the \$4.52 million that they have contributed to the operating budget. We're not expecting, nor are we seeing, any desire from Irving to occupy large amounts of the space. What I think we end up with is a situation where we can derive revenue and derive

market involvement from those large organizations, which is critical for the small companies, without using up a large part of the footprint, which is limited. That's our hope.

MS. CHENDER: Are you anticipating that there might be a significant footprint - whether or not we call it anchor - by either government or the military at this time?

MR. HANLON: No. On the military side, if you're talking about Department of Defence employees, absolutely not. We would hope to have them coming and going and collaborating with us particularly on some research and development projects around marine robotics. But they have never expressed an interest in occupying a large part of the space.

In terms of aerospace defence companies, as we all know from the news, the final decision is being made as we speak about the Canadian Surface Combatant program, the next big shipbuilding program to follow on AOPS at the Halifax Shipyard. As a result of all that activity, there will be offset commitments by those bidders, both value propositions and industrial technical benefit programs. We have been engaging with all of those bidders, all of those consortia, very thoroughly over the last year to make sure that COVE is a part of their plan. But those plans will not result in large swaths of the buildings being occupied by those companies. There will be opportunities for collaboration, as opposed to occupying large amounts of space.

[9:45 a.m.]

I want to say one other thing. Whether it's a small, medium or large company, the highest and best use of this facility is not manufacturing or inventory storage; it's just simply too valuable a space. What we're hoping is that all those organizations will put their engineers, scientists, strategic marketers, who will be able to kind of more fully collaborate and get high value out of the site, as opposed to just racks of storage of equipment or light manufacturing. That belongs in other parts of the city and the region.

MS. CHENDER: That being said, I was also interested by this discussion and it has become clear over the course of this exchange, that this isn't a conventional real estate play, as Ms. Angel said. Now that being said, we've heard that you have more expressions of interest than you can accommodate, that you do anticipate to cover the costs of the building and maintenance through this rent, but again it's not a conventional real estate play.

I guess my question is, how are you triaging those tenants? What is it that is determining who you take and how much space they get and why?

MR. CHAIRMAN: Ms. Angel or Mr. Hanlon.

MR. HANLON: Why don't I start, Jennifer and I are a tag team in this, literally in real time. Believe it or not, we spent two very intense days before Christmas, and more to come, in having those discussions.

Our criteria is multi-layered. To put it really bluntly from me, one of the limiting factors we have is not enough square feet at COVE, in general terms. From my point of view, one of my crass criteria is GDP growth per square foot of COVE. The organizations that come there either individually or in synergy with the combination of other organizations - the whole imperative is to grow the ocean economy of Nova Scotia. I think from our point of view, our questions to those candidate tenants are along the lines of, how will COVE help you grow your business and how will your presence at COVE help grow the other businesses that are going to be resident there?

So it's a combination of the synergy effects, the market access effects of that common marketing power and the use of the facility itself, the physical access to water, access to equipment that can be prohibitive, particularly for the small and medium companies.

MR. CHAIRMAN: Ms. Angel.

MS. ANGEL: Yes, I would just add that also unlike a traditional real estate play, we're challenging prospective tenants to minimize their required footprint. Somewhat novel at COVE, we have a lot of shared space so you don't have within your demise space, for example, a 1,000-square foot boardroom. Rather, you have access to a shared boardroom facility. Through the access to those facilities, we're able to minimize the actual directly attributable square feet to any one company.

Secondly, I would note - and Jim may have already said it and I apologize if I missed it - we are also introducing some options around very short-term tenancies, so there will be hot-desking facilities available for daily, weekly type uses. There are gross rent desks available for rent, so you may have a company with 30 employees but they have one hot desk for \$500 a month at COVE that they rotate employees through.

Through those various options and approaches, you are able to get a lot more representation from diverse companies in a limited square foot footprint.

MS. CHENDER: Great, thank you. I wanted to ask, there's a huge number - as you pointed out - of institutions involved in this project, so for myself it's a little bit tricky to understand how they all work together. I understand that the organization that you lead, Mr. Hanlon, which is the Institute for Ocean Research Enterprise, I believe - I'm not clear whether that is COVE, whether it's rebranding as COVE and whether in either case there are other things that that institute is continuing to do outside the scope of this project. If you could speak to that.

MR. HANLON: Sure, I'd be happy to. There's a lot of moving parts to this so it's not unexpected that there needs to be a bit of explanation. The role of IORE - the Institute for Ocean Research Enterprise - in all this is to be the overseeing executive agency on behalf of the economy of Nova Scotia. To be clear, we're not an agent of the province. We're a federally incorporated, not-for-profit corporation that has been around for about seven years. Our role all along has been to sort of sit at the intersect between research, government and industry around growing the ocean economy. That has been since day one.

As it turns out, we've been involved in the whole ideation of COVE almost since day one with the late Colin MacLean, among others - Jennifer's predecessor. We go right back to the origins of the idea. Our role is really to just keep the finger on the pulse of what's good for the economy of Nova Scotia from a private sector point of view. That's really what I think we're bringing to the table.

We will continue to be a corporation called IORE, as a federally incorporated organization. We will simply use the brand COVE, as will all our partners in this. In the interests of trying to simplify this whole branding for the private sector, everyone will use the name COVE. As an example, my card these days says COVE as opposed to IORE, but from a legal point of view we are still a separate company and we bring in other programs.

As an example, under the Irving value proposition, AOPS, we have funding separate from this for \$950,000 to look at skills and training needs of the marine industry across Canada. We do work with the Atlantic Pilotage Authority, the Port of Halifax, the Port of Saint John, and the Coast Guard around monitoring buoys in the two ports. We have a variety of other programs that we bring to the COVE table in synergy. As far as I'm concerned, they all add to the equation.

The net cost of our involvement to the Province of Nova Scotia in all this, by the way, is zero - because we're separately funded.

MR. CHAIRMAN: Order, please. The time has expired. We'll move to the Liberal caucus and Mr. MacKay.

MR. HUGH MACKAY: I would like to welcome you for joining us today. This is truly a good news story, and I think it's one that certainly follows this government's initiatives in innovation and entrepreneurship. As an example of the successes that our government is having in those areas, I think this is outstanding.

I also think it's quite appropriate for you to be attending here today to the Public Accounts Committee because truly what we look for is a dashboard of where things stand today - from the initiation of this project to where we are now. As my colleague from Pictou perhaps said, we look forward to having you come back and give us a report card later on. It's entirely appropriate for you to be here at the Public Accounts Committee. This is where

we look at public expenditures. It makes much more sense than, say, examining departmental communication plans and other such things.

I guess I'd better start off with a couple of questions. I sometimes get off and talk a little more about what's on my mind. One of the things that we're proud of as a government is that we have acted significantly on the Ivany report in areas like aquaculture and tourism and so forth. I want to ask, what is the importance of the ocean sector? As we had it described in the Ivany report from four years ago, what would you say about the importance of the ocean sector to Nova Scotia now and how we are addressing the recommendation of the Ivany report?

MR. MONTGOMERIE: I think it's important to the honourable member's point to look at five or six years ago and the Ivany report. I used to sort of wonder when I was the Deputy Minister of Natural Resources and other places why we are spending a lot of time with companies that are looking to borrow money from the government. Why aren't we dealing with the companies that seem to be doing well on their own and how can we add to that?

This is what this is all about. It's zeroing in on a sector that we feel will benefit this province and can really grow, but more importantly, it's government relinquishing its command and control kind of approach, and being a coordinator and a facilitator to bring the best people together to drive a project.

All of our innovation projects that we're doing, and there are many - you can take Acadia and the wine sector alone. Just look at what Acadia has done working with the wine sector in the Annapolis Valley and the research they've done. They developed grapes that can be grown only in Nova Scotia to fit the Nova Scotia climate.

When I was at DNR, I was there three weeks and they came in and said, we need \$500,000 to fund a researcher in the Agricultural College in Truro to see if we can grow Christmas trees that the needles stay longer. I'm saying, first of all, do we have somebody in Truro who can do that, and is that a realistic project? Well, you may have read in the paper the last couple of weeks, that professor has now commercialized that particular product - a \$500,000 investment.

I'm getting a little off-track because I'm going to get Jim to speak to the ocean piece specifically, but we're trying to change the culture and we're trying to change the conversation. COVE is an instrumental part of doing that.

MR. CHAIRMAN: Mr. Hanlon.

MR. HANLON: I think it's a very good question - why invest in ocean in terms of growing the economy of Nova Scotia? I have a couple of rationales for that, and I think they're pretty compelling.

First of all, we are riding a fast-moving freight train by joining that because as the OECD report shows, that sector of the global economy is growing at a rate faster than the average global economy. It's a high-growth industry, first off.

As someone who has spent almost 40 years in this sector, we sometimes lose track of the fact that we're damned good at it in this part of the world. We actually are globally competitive already in pure ocean tech. So we're not starting from a point of zero. It's not aspirational. We're starting from a very strong point to begin with.

The transition that's happening is this transition from brawn based to brains based. What we need to do is shift gears a little bit more towards knowledge-based industry. The new economy of the ocean is the part that's going to outpace the old traditional economy of the ocean.

We have the advantage here in Nova Scotia, having in place mind and management, significantly large players in things like the fishing industry, the likes of Clearwater, and the most modern shipyard in North America right now in Halifax shipyards. We have starting points in terms of absorption of that new technology that other parts of the continent are in envy of.

We have a really big opportunity here. It's a high-growth opportunity. We're good at it to begin with. We have a natural competitive advantage in this, I think, vis-à-vis our competitors around the world.

It's disproportionately large in terms of the overall Nova Scotia economy. The simple math on it for me says to put disproportionate investment in that because you're going to get substantial return on it, simply put.

MR. MACKAY: Thank you both for those answers. One of the questions that comes up sometimes is, is this another program that's being centralized in Halifax? What's the benefit for the greater Nova Scotian good? My own take is that when we do things that bring silos in different provinces together into some sort of a network, that's a good thing.

When I look at the advantages - some of which you have noted here today - of locating COVE here on the Halifax waterfront, I think that's the envy of many other similar organizations around the world. We have some justifiable reasons for locating this in Halifax. I'm just wondering if you could expand on this.

MR. MONTGOMERIE: As I mentioned in my opening remarks, when you look at COVE, you look at the Bedford Institute of Oceanography, you look at three community college campuses, you look at six universities, and you look at the Department of National Defence, all those factors say this is where it should be. But to the honourable member's point, the ability for COVE to impact the rest of the province is enormous.

We did a scenario. Louisbourg Seafoods came to us a while ago and said, we have some serious problems we're trying to deal with. We got Cape Breton University and a few others and brought them in a room together with the Louisbourg Seafoods folks and spent a day where they put their problems on the table. At the end of the day, they had some pretty good ideas and solutions from the university students and others. We see the dynamic across the province working really well.

Keep in mind, too, the Nova Scotia Community College, with 13 campuses. For example, Port Hawkesbury is dedicated to training for water and those kinds of scenarios. You have COGS in Lawrencetown. All those scenarios will be able to feed in. We're pretty excited that way too.

MR. HANLON: I just wanted to give you an idea of the kind of engagement we have had around that covering the Nova Scotia territory. Over the last two years, my colleagues and I have visited virtually every town and city across the province with that express intent, trying to make sure there is solid engagement with the rest of Nova Scotia beyond just Halifax. Certainly our concern going in was that this could be perceived as a metro Halifax play only. The response so far, frankly, has been really, really very strong across the region.

The deputy mentioned earlier the tentacle reach of the community college. I had the pleasure of attending a single sector meeting around the oceans agenda at the college just before Christmas. They brought together eight of their campuses with the whole intent of trying to unify the oceans theme across all those campuses. That I think is an asset that we need to play on more and more, the reach of the community colleges.

[10:00 a.m.]

We've had engagement with all of the universities across Nova Scotia, including Université Sainte-Anne in Petit-de-Grat; they do some amazing work there. Everyone from the Nova Scotia Community College to St. F.X. to Acadia have all been made aware of COVE, all see themselves at COVE, and will have a recurring presence and involvement with COVE across the region. I think we're doing a pretty good job of that.

I will go beyond that and say we need to not just put a hard boundary on the borders of Nova Scotia. When it comes to things like Ocean Supercluster, we by definition are extending our reach across Atlantic Canada and, in fact, across the country as well. I'd be pleased to sort of add more information on that at some point as well.

MR. MACKAY: Okay, I'll come back to the supercluster in a minute but first, as a proud graduate of both Dalhousie and COGS, I'm glad to hear them both being mentioned in relation to this initiative. Certainly, my background at COGS dealt in sensors. Mine were satellite and airborne sensors, as opposed to ocean ones. It is an area that's growing. I'm so excited to see COVE taking this on in this particular location for us.



Coming back to the supercluster, though, there has been some mention of it here a bit earlier. If we look across the spectrum of the Nova Scotia economy, everything from marine tourism and marine defence and to our ocean agricultures and so forth, could you speak to how the supercluster can benefit this and the benefit of having COVE in place at this point, prior to the supercluster being initiated, as we hope?

MR. MONTGOMERIE: Mentioning earlier about changing the conversation and changing the culture - for example, Dalhousie University has shown incredible leadership in understanding and reaching out to the private sector to be part of major projects. One of the major scenarios I got from the federal government two years ago - a major commitment from them was the result of a partnership of Memorial University, University of P.E.I, the community college, and the private sector. For example, John Risley contributed \$25 million to that project.

Now, as we hook into COVE and look at the cluster piece - and I'm going to ask Jim, as the subject matter expert, to expand on that - it gets even more exciting.

MR. HANLON: I wish I could say that we convinced the federal government to set up the supercluster competition specifically to support COVE - I can't, but it sure lines up very well. COVE did predate the call for the supercluster proposals. That being said, I've had the pleasure of being intimately involved in the preparation of the Ocean Supercluster proposal that just went in on November 24<sup>th</sup>. As you're probably aware, we're waiting now to hopefully be awarded one of these contracts - let's knock on wood on that.

I would say in answer to your question on how this benefits Nova Scotia, this is a very unique place. The federal government is looking for industry to lead on substantial investments in technology of whatever sort. We happen to have picked ocean technology because that's what we're good at. I think we've built a very strong consortium across Atlantic Canada with huge support from companies across the region led by Clearwater, Cuna del Mar, Emera, and Petroleum Research Newfoundland and Labrador as the key first-round investors, but supported immensely by all four Atlantic Provinces - the Premiers and the infrastructure of all four provinces - as well as over 100 small and medium companies across the region.

We're very imbedded in the economy of all four Atlantic Provinces, I would say. Beyond that we've also had engagement from six other provinces and two territories as well, so we think we're in a very good position.

The end result of all this, frankly, will be disproportionately large investment. Hundreds of millions of dollars of investment in applied research, tech transfer, and development of new commercial opportunities in the ocean sector. As I've said to several people, from my point of view it's simply fuel in the tank of COVE. COVE will definitely be the Nova Scotia hub for this activity, working with our friends in all the various organizations you've heard about earlier. There will be a similar hub, I believe, in St.

John's, Newfoundland and Labrador, and probably in the other two Atlantic Provinces as well.

MR. MACKAY: Excellent. The story just keeps getting better, I think.

Mr. Hanlon, I was at COVE recently, I'd say probably something in the order of six weeks ago. What can you tell me to update me on what has been done over there? I'm looking forward to coming back with my colleagues to take a tour, but any thoughts?

MR. HANLON: I was just going to say I think a picture is worth a thousand words and an actual visit is probably worth a million, so I'd encourage you all to come for a visit at any time convenient for you.

As Jennifer said earlier, you can now see the final form of the buildings taking shape. I remember early on when these buildings were first acquired by the province and we were doing our first looks. Being a bit of a cheap old guy, I looked at it and said, well we can kind of make do as they are - we'll just throw a coat a paint up and change the carpet and we're good to go. Well I was absolutely wrong on that. These buildings did need substantial renovations. They were tired.

On the other hand, the physical property is unique. The value of that location is globally significant, and the bones of those buildings are solid, so I think that's what was recognized by wiser people than me.

Those buildings right now are coming to their final form so you're starting to see the exterior cladding in place. The new dock faces look wonderful. The common spaces are going to be very productive, but with kind of an industrial workshop look, which is what we're looking for as well. I would encourage you all to come have a look. The buildings are starting to look in their close-to-finished-form now.

MR. MACKAY: I'll try to herd the mice to see what we can do. One of the things I've heard a couple of references to here, but I don't quite understand, is the Irving contribution. Was it \$4.5 million? Can somebody expound this to where, why, how that's being done and where that goes?

MR. ROBERTS: Certainly, as part of the National Shipbuilding Strategy from the federal government, one of the components of that bid from all companies was a value proposition. That value proposition from the federal government's perspective was really an attempt by them to rebuild the marine infrastructure across the country since the last major shipbuilding contract.

There was a feeling that the marine skills and marine shipbuilding skills had taken a significant hit across Canada, so as part of those major bids for this new shipbuilding contract, they had a requirement that these parties would submit a value proposition. That

value proposition had to outline how they would individually contribute to rebuilding that infrastructure across Canada outside of the actual build of those ships.

Part and parcel to that is that the Province of Nova Scotia also had a separate agreement with Irving Shipbuilding to help support them get their facilities up and running. We have a contract on a contract with Irving through their federal contract that that value proposition would be substantially spent in Nova Scotia to support, again, a national marine infrastructure, but with the bulk of that money being spent here in Nova Scotia - so again, more funding fueling the flame of ocean development for this province.

That \$4.5 million is under the AOPS - the first set of ships before they move to the combat section. That is their significant investment to date on their value proposition for Nova Scotia. That \$4.5 million will flow through IORE to support the operations of COVE. It's a first significant private sector investment that we see at COVE.

MR. MACKAY: You are anticipating other significant commercial investments in COVE?

MR. ROBERTS: Yes, I think so. I can let Jim speak to the consultations he has had across the industry where we see potential from the combat ships contracts for ITBs and more value proposition investments in the future.

MR. MACKAY: Actually, I'm going to come back to the deputy with the Department of Labour and Advanced Education. Certainly, this government has put a lot of effort into bringing out programs - graduate to innovate and others - that speak to the innovation in the province that we're trying to foster. I was just wondering if you could add a few words as to what the department is doing as far as its innovation training that is directly linked to COVE.

MR. MONTGOMERIE: Back to my changing the conversation comment - it became very clear. We set up five innovation tables with the universities and the community college, ACOA, and key government departments around key areas. It became very clear that we knew little about research and development and the value to this province. One of those tables, the R & D table, actually fostered a Nicholson report that led to this government creating a research council and this government putting \$25 million into research.

The subtext of that is we had a broad committee of university presidents, private sector people, ADMs talking about research. More importantly, from the government's perspective, what's important research to be done for the government - so aquaculture, forestry, energy, all those areas that sometimes pockets of research - now we're more focused on an annual basis of recommending where we need to do research. Of course, COVE is an instrumental part from the ocean sector, helping us capitalize on that.

Again, there are many areas, the innovation hubs that we are dealing with. The Cape Breton Partnership - working with Cape Breton University and so on and the private sector - is generating in that community this kind of linkage about how we can work with business, et cetera. I was in Cape Breton about four weeks ago and the partnership held a bit of a meeting with some of their key entrepreneurs. They were all basically new companies that had started and there were probably 12 or 14 in the room and the excitement was amazing. When you talk about Cape Breton, you're worrying - but you feel the energy and the positivity from these folks.

It's changing that whole dynamic to realize what you can do if you get the best people in the room to work around an issue. That's the whole concept of innovation, is to get the right people in a room and get them focused on solving the result.

The last comment I'll make is, I have seen such a difference in the university sector, in their appreciation and understanding the need to reach out more to the community. In the last five to eight years, our key institutions have done an incredibly much better job. Acadia, for example, deals with 1,000 businesses where they help through what they call their Launchbox. You've got Cape Breton University dealing with businesses in their community, St. F.X., and it goes on. The community colleges do amazing work in practical and applied research across the province.

MR. CHAIRMAN: Order, time has expired. We'll move back to the PC caucus. Mr. Houston, you have 14 minutes.

MR. HOUSTON: I'll bite on the opportunities for significant private sector investment. What form would that take? Would those be grants or donations? What would that take when the private sector starts to make significant investments in the future in this facility? What would that look like?

MR. MONTGOMERIE: I'll get Jim to speak more to that, but in the context of what businesses anticipate when they get in this kind of scenario is that they're looking to advance their business, they're looking for ways they can do things better. For example, we have six universities and a community college that meets with IBM on a regular basis. IBM puts money on the table and they look for us to help them with onboarding new employees, they look for us to help them create new and innovative ways. By the very nature of that kind of commitment and their investment, it helps pay the bills.

Dalhousie is building an idea building right now, and many major companies have contributed to that capital building - not because they just want to give money to Dal for the building, but because they want to be in the building. They want to be able to access those engineering students and so on. You have Emera, you have Sobeys, you have all kinds of major companies that are going to Dalhousie - here, we want to contribute to your building but we want to be part of a dialogue. That's part of that investment thing that we talked about.

If I could, I'd ask Jim to speak - actually Kent would probably be better.

MR. ROBERTS: Mr. Chairman, I will indeed turn it over to Jim as well. I think perhaps in my earlier remarks I really didn't stress enough the partnership between the private sector and COVE, in this case Irving Shipbuilding. My explanation of their value proposition commitments is something that they have to do, but in our meetings with that organization they are genuinely interested in leading a legacy in Nova Scotia and building that shipbuilding industry, not for one time - I mean it's going to be 25 years - so that when they're done with this contract they have created something. They see that opportunity at COVE.

Again, I think I'll turn it over to Jim but I think that is the opportunity that these other players that will come into the combat ships program, we'll see as well.

MR. HANLON: Yes, I can just throw a little bit of extra juice on that. Two things. The IBM example is a good one so I would say we need to differentiate between obligations and business interests.

Certainly, what brings some of these organizations to the table in the first instance is obligations to the federal government, in the case of shipbuilding or whatever, but that doesn't hold their interest. What holds their interest is actual high-performance R & D, commercialization capability.

An example of that would be IBM, where their global lead on all things oceans is a gentleman by the name of Dr. Harry Kohler. He is their oceanographer in residence, if you will, for IBM corporate around the world. Harry has been here probably six times now and is hugely interested in the high-value research and development commercialization activity going on in Nova Scotia. That's not motivated by anything beyond just pure commercial interests, and I think that's where we need to get to.

[10:15 a.m.]

Similarly, on the shipbuilding contracts, the initial obligation will get them to the table. What will keep them here is high performance engineering business development, research and development.

MR. HOUSTON: I appreciate that. Let's get down into some of the stuff that probably is in the scope for this committee on the money that has been spent so far. Tell me about the Coast Guard building. Who bought that, the Waterfront Development Corporation? I see yes. When was it actually purchased and how did that transaction unfold?

MS. ANGEL: As part of a provincial land strategy around Halifax Harbour, which Waterfront Development constructed with external consultants, I believe in 2013, but I can

check that date. That site was identified as possibly being on the agenda for divestiture by the Coast Guard. It was identified to the government as being high value for marine dependent uses and the strong likelihood that if it was to go to full market it would likely be absorbed for a different use - possibly mixed use residential, which is a marine enhanced use of course, but not a marine dependent use.

Without devolving too far into land use economics, residential use is continuous. Marine dependent uses can be episodic, as is the case for example with the shipbuilding contract, so preserving waterfront land for those marine dependent uses is an important policy consideration.

As the deputy - and I believe Jim - referenced, there was a bit of synergy around COVE coming to market at a time that ocean tech was really blowing up and certainly doubling down on our unique competitive advantage in oceans, so the recommendation was made to purchase. Then the idea for COVE was born by a number of partners working with Waterfront Development.

MR. HOUSTON: What was the purchase price?

MS. ANGEL: \$6.5 million.

MR. HOUSTON: At the time of the purchase, had it undergone any and all necessary environmental remediation or - I don't know how those work, but as-is . . .

MS. ANGEL: It was an as-is divestiture, but the federal government has rigorous standards for divestitures so there was environmental. There was obviously Aboriginal consultation. There was sort of a full slate of due diligence on their side and ours before the purchase was concluded.

MR. HOUSTON: After the purchase price of \$6.5 million, was there money that had to be spent for environmental remediation of the site or was there nothing that was required?

MS. ANGEL: There was a buoy building on site - a large, green building. You could see it from the Halifax waterfront - which was contaminated and known to be contaminated at the time of purchase. It contained mould and asbestos, and it was removed as part of this recapitalization project.

MR. HOUSTON: In terms of the money flow, it was actually the NSCC that made the application for the federal funds. Did those monies come to the NSCC and then flow through to COVE or Waterfront Development? How does the money actually move through the system?

MR. MONTGOMERIE: The NSCC led the application, and our department works with the federal folks to monitor money. Jennifer probably has a better knowledge of the actual way the money flows. I do recall, I believe it was Ava Czapalay who was part of the tour of the federal bureaucrats that looked at the site and they said, this is the kind of thing we like to see, this kind of innovation - particularly the large private sector engagement. I think maybe Jennifer can speak more to the money flow.

MS. ANGEL: I will double-check this for you, but my belief is that while NSCC is the recipient of the federal portion of the funding as a post-secondary institution, all of the monies - provincial and federal components - are flowing through Waterfront Development.

MR. HOUSTON: I'm just wondering how NSCC - I'm just trying to figure out - a building is purchased from the federal government for \$6.5 million and the federal government, I guess, quickly turns around and says, we'll invest \$7.1 million and changing the use. The numbers are very close together so I'm just trying to figure out how it actually hung together.

When did the NSCC submit their proposal for this? When did that funding get approved? Maybe you can put the timeline in perspective. Was the building owned by the Waterfront Development Corporation for years and years and years before this happened? Was it one package? I guess that's what I'm trying to understand.

MS. ANGEL: It was not one package. There was a belief in the potential of ocean technology, as Jim has said, in an area where we have global advantage, global strength. The early indication or early identification of the Coast Guard site as an important economic opportunity was well before any indication of SIF funding was made available. I know that for certain.

MR. HOUSTON: The building was even purchased well before that?

MS. ANGEL: The building purchase was concluded, if memory serves, in March 2015, which was well in advance of the SIF application.

MR. HOUSTON: When would the SIF application have been? Do we know?

MS. ANGEL: A year in advance, I'm hearing.

MR. HOUSTON: In 2016, the SIF application was made.

MR. HANLON: I believe it might even have been a different federal government in place for the acquisition versus the SIF if I'm not mistaken. I stand to be corrected.

MR. MONTGOMERIE: Basically, when the SIF program came about, we looked at an opportunity - given that the Coast Guard facility was now ours and the focus on ocean research - to leverage that money to make that project a reality. The community college, which was very deeply involved in applied research on the ocean side, helped lead that approach. Of course, Dalhousie was in the background as well.

The Government of Canada, which decides on the eligibility at the end of the day - they make the decision - saw the merit in this project as well. The community college helped facilitate a program, again as part of a team approach, that would help acquire the building and move this dream to reality.

MR. HOUSTON: Did the community college also approach the province for funding? The community college applied to the federal government under the SIF program with this proposal. Did the community college then turn around and make a similar proposal to the province that kind of triggered the \$12.5 million?

MR. MONTGOMERIE: When we submitted all those SIF projects to the federal government, we had to indicate to the Government of Canada what the province would contribute: the Acadia project, the Pictou campus for the community college, and this project. In this case, if I remember correctly, the total was \$12.552 million, of which \$7.171 million was the federal and the rest was the province. We had to commit that up front.

MR. HOUSTON: The community college is listed on the slide of partners. I'm just trying to understand why the community college triggered the \$7.1 million. They're a player in this for sure, but they're not the whole deal, right?

MR. MONTGOMERIE: Certainly. To the honourable member's point, keep in mind that the SIF program was for post-secondary only. For example, you couldn't have a private sector or somebody other than post-secondary apply.

We also saw in the program the federal government's desire that this program would result in innovation and so on, being done through these capital projects. That's why this one worked with the community college, which already does ocean research at their waterfront campus, which is a stone's throw away. We just saw this as a really excellent fit.

MR. HOUSTON: Did the province seek out the community college and say, why don't you get involved in this, and maybe you can apply for the SIF funding as well? Or did it go the other way?

MR. MONTGOMERIE: I deal with Don on a regular basis. We might have collaboratively said, hey, this is something we could work together on. I can't quite remember how that worked.



MR. HOUSTON: Will it say NSCC on this building when it's all said and done?

MR. MONTGOMERIE: No, it will be COVE. Back to the anchor tenant scenario, the governance model is to facilitate the easy coming and going of companies that are looking to innovate. That's the rigorous process that Jim and Jennifer are going through now with those 51 companies that we started out with. That's the secret of making this project a success.

MR. HOUSTON: Is SIF a grant or a loan?

MR. MONTGOMERIE: It's a grant.

MR. HOUSTON: That was received. So that becomes the community college's donation to the birth of COVE. Is that kind of how you would see that?

MR. MONTGOMERIE: Via the federal government, that would be correct, yes.

MR. CHAIRMAN: You have until 10:27 a.m.

MR. HOUSTON: Thank you. The other \$12.5 million that comes from the province, it comes from different departments, I guess? Are they grants from different departments?

MR. MONTGOMERIE: The actual capital grant itself would be like Cabinet on an annual basis does capital grant allocations. In this case when the SIF program hit the table, the government became aware they would have to provide matching monies to be in the game. We did go to Treasury Board and say, here's the order of magnitude, here's what we're looking at, here's what we recommend. It would be up to Treasury Board to determine what we were able to put on the table as a province, given our resources, so that's where that happens.

MR. HOUSTON: Is Transportation and Infrastructure Renewal involved in this project at all? Are they building it or are they overseeing it?

MR. MONTGOMERIE: There were initially involved and they still actually are involved to a certain extent. One of the things we determined early on is that the community colleges, as you are probably aware if you have been on their campuses, have carried out a major renovation of most of their campuses over the past several years - in fact they've built the building. They have done so on time and on budget. They have staff that that's actually what they do.

So working with the Waterfront Development Corporation, the community college is actually managing that construction phase of the site. That expertise helps make sure the job gets done. Normally TIR . . .

MR. CHAIRMAN: Order, I'm sorry, time has expired. We'll move to the NDP caucus and Ms. Chender for 14 minutes.

MS. CHENDER: I guess I'll continue on this thread of NSCC and education. I guess specifically looking forward, we've heard a lot about the synergy, we've heard a lot about why it makes sense that this partnership has come into being. I'm sort of interested in the specifics of what the ongoing relationship will be, particularly as it pertains to education and to students at the college.

I wonder if you could tell me, from a programming perspective, what that might look like and what advantage students of the Nova Scotia Community College will gain by the college being in partnership at COVE?

MR. MONTGOMERIE: As the deputy responsible for post-secondary, obviously a keen interest to ensure that community college is a key player and a key partner. To help you understand a little bit, at their Waterfront Campus if you walk on their bottom floor, over to the right is an energy component. That's a component of the community college that is dealing with over 100 companies on energy. You go down the hall to the left, there's an oceans component - a group of people dealing with several companies in the oceans. For example, J.P. Deveau will tell you that his company got started because of applied research that the community college did of being able to survey the ocean floor.

Then you go down the hall and they have an industrial component where they're working with businesses to help up their game. It just blows you away what they're doing. This is an adjunct to that. The community college will be like Dalhousie and others, as COVE unfolds, companies identify their needs, then we identify what is appropriate for the community college, what's appropriate for Dalhousie, et cetera.

Obviously the whole idea of COVE as private sector is the key part but we know we need the post-secondary to support that. Maybe Jim might add to that, if that's okay.

MR. HANLON: Maybe I'll just address the training and student element of that, just to complement what the deputy said. The community college campus just down the road, the Ivany Campus, is home to the advanced diploma program in ocean technology that you are probably aware of. It has been around for about three years, a small cohort of about a dozen or 15 students, most of whom already have an undergraduate degree from one of the Nova Scotia universities. They go back for a 12-month period to get a very applied training in ocean technology and the use of ocean technology, in many ways similar to the advanced diplomas at COGS and other parts of the community college.

I think COVE will be the Waterfront for the advanced diploma program in ocean technology. My hope, though, in addition to just the campus down the road, we'll also be able to hook in the Nautical Institute in Port Hawkesbury, the Marconi Campus in Sydney, COGS in Middleton, to try to bring the power of that full teaching capability.

Another one that is not as well known but it's important to note is there's an advanced diploma in international business out of the Truro campus, led by a gentleman by the name of Leroy Lowe, who is an old colleague of mine. It's interesting to note that I would say that half of the ocean tech companies in Nova Scotia hire their business development professionals from that program of the community college.

Certainly the community college brings value to COVE. What I think COVE may bring, in turn, back to the community college is that ability to integrate those programs to kind of inject the business needs more directly across all those campuses in the college. I think it's very symbiotic. I think we'll benefit and I think the college will benefit in the long term.

[10:30 a.m.]

MS. CHENDER: I guess following from that, I wonder in terms of employment - which would be the other part of your purview. First of all, are there co-operative opportunities that you're anticipating for students - engineering students, et cetera - who might be able to come to COVE and fill some of that? Further, are there internship, mentorship, pilot programs of employment that are anticipated at COVE?

MR. MONTGOMERIE: If you look at the whole innovation approach, that's how literally it works. If IBM is working with six universities and the community college around needs, there are also young people that are in the IBM world working on solutions to help IBM.

The beauty of IBM, I think they hired their 500<sup>th</sup> employee this summer. Think about it. Almost every one of those young people have come from Nova Scotia in those six institutions and the community college that they've been dealing with. The spinoff for us as a province is those companies that get in these innovation hubs get better, smarter and more profitable, they hire more people.

More importantly, in the innovation area - take Dalhousie's IDEA Building. When Dalhousie's IDEA Building opens, you will basically have companies in there on a regular basis working with those engineering students around the resolution of problems and so on. The students get to work with a private corporation, and the private corporation gets to see those students and how good they are. A lot of times - and the data shows this - even with co-op students, they'll hire them, particularly if the company is able to up their game and expand their business. In that way, it's a win-win for both.

MS. CHENDER: I guess just looking at those two examples of IBM and the IDEA Building, in the first case you have a single company. In the second case, you have an over-arching educational institution. Here we're talking about having 20 or 30 small, medium and maybe a couple of large companies. So I guess I wonder - would it be your group, Mr. Hanlon, that would be bringing some over-arching programming and opportunities like

this to those companies? Would they be required or incentivized to take this approach with education? Because of course you are dealing with the private sector mostly, it seems like, you're dealing with all different kinds of companies, so how do we know that they're game for this approach?

MR. HANLON: A couple of things. Just speaking to the co-op internship question for a second because we have a program that's in formation right now that goes something like this. One of the barriers to entry for small and medium companies is that it's difficult for them on a proportionate basis to hire interns and co-ops. It's a big percentage of their payroll. It's a big percentage of their management time that's taken away.

Our solution to that - and it is in formulation right now - would be to frankly bulk hire a cohort of students from the universities and colleges under our brand, under the COVE brand, say a dozen, and then deploy them at a micro level on a project by project basis across a multitude of small industries. That's had huge positive response from the small companies. There truly is a bit of a barrier there if I'm a 10-person company to hire one co-op student on a continuous basis. That's the kind of programming that we hope to inject into COVE to get more fluidity and that flow of students into the companies.

I'll put another personal agenda on this, which is I think we need to do a better job collectively around entrepreneurial studies in our universities and in our college. It's not a foregone conclusion that every student coming out of these institutions is going to work for an employer. Some of them will, in fact, be starting new businesses, as I have in my history. I think one of the values of COVE would be to expose those students at the college and universities to that option, to that opportunity to rub shoulders with other in-market entrepreneurs and learn from peers that are just a little bit ahead of them in the game. That's another element in the programming that we're really excited about at COVE.

MS. CHENDER: That's very helpful. That sort of solves that missing piece in my brain around all this.

I can't pass by a chance to ask a couple of questions about Dartmouth since COVE is located in beautiful Dartmouth South. I understand that there have been questions from other members of this committee around its location here in the HRM. I for one am happy that it is. (Laughter)

I just wanted to ask a couple of questions. You spoke a bit about the assets near COVE, of which there's the community college, there are many others, there's the Bedford Institute. I know there's also a number of local suppliers and, in fact, other ocean tech companies, like Ultra Electronics, which I know that you have been affiliated with in the past, Mr. Hanlon. I wonder if you could speak to - I guess these are two separate questions but any past or anticipated relationships, either from a supplier level or on a synergistic level with the existing resources right around that COVE campus.

MR. HANLON: Absolutely. If you were to put dots on the map of where there are capabilities and capacities in ocean technology in Nova Scotia, frankly the centre of mass would be in Dartmouth, not in downtown Halifax. I think it's a fair comment to say when you include the Defence lab in Bedford Institute and the multitude of market companies in Burnside and Woodside, there's no question it is the pulsing centre of our industry here in Nova Scotia.

MS. CHENDER: I'm going to have to quote you on all that. (Laughter)

MR. HANLON: Quote me any time, and I live in St. Margarets Bay so I'm not even a local. (Laughter)

There is a supply chain here that we do need to recognize the kinds of things we're doing. We're going to have prototyping capability within COVE so that small companies can actually go and make their first prototype in the building without having to leave.

In doing that, what we're going to do is engage the local rich supply chain of machine shops and fabricators that are all over the region and engage them on a contract basis to do that. Rather than setting up a public sector competitor for them, we're going to bring them in on a concession contract basis to work with us around those kinds of things.

We're very sensitive to not only not disrupting the supply chain but recognizing that it's a huge value. Again, if I go down to my friends in New England and they look at what we have here, within a 20-kilometre radius of that site is every component you would ever need to have in an ocean tech product or service, so it's a huge value.

MS. CHENDER: That does point to something I know I've heard little rumblings of - if this is going to be competition that's going to be challenging in some way to some of those very established, other industries. Are there more specific examples of how that won't be the case and how they'll be able to participate? You mentioned prototyping, are there others?

MR. HANLON: I think I'm a dyed-in-the-wool private sector entrepreneur so I'm very sensitive to the issue of not wanting to be in competition. I think that runs the gamut from - as Jennifer said earlier, we've set the pricing in COVE up to be on the high end as opposed to a low end of market, so we think we're in a good place because it's not a pure real estate play. We are not in any way in competition with a landlord in Burnside. We're offering a different thing than what a Burnside bay offers and I think it's complementary.

In terms of the services at COVE, we've had huge discussions, including some tenancy discussions with suppliers that include machine shops, 3-D printing operation, business service operations - so accounting firms, law firms, bankers, HR professionals, marine engineering firms, all those companies.

I'll pick on one for just a second because I don't think they mind - Dominion Diving, which literally is right around the corner on the other end of Dartmouth Cove, the geography. We've had wonderful discussions, they want to be part of COVE. They don't see this as competition, they see this as pulling market right to their doorsteps. All those conversations have been very fruitful, even to the point of the local real estate plays in behind, so the Killam properties that are residential rental properties right behind the site.

As everyone is aware, downtown Dartmouth is becoming a very happening place. I think COVE has every opportunity to upscale the whole neighbourhood. There will be 200-plus young professionals working at COVE on a day-to-day basis. They will drive income into the rental properties, into the restaurants, into the coffee shops, probably even into the bars. I think it's all an upgrade to the whole neighbourhood, from that point of view.

MS. CHENDER: Thank you so much; that's certainly our hope. I guess the last question is, you mentioned the hot desks. I know I've heard conversations in the past around a membership model or sort of a hub model. Is that still anticipated, where folks could be a member but not necessarily be a resident at the COVE?

MR. HANLON: Yes, correct. In addition to the brick-and-mortar presence, on a full-time basis and an itinerary come-and-go basis, the hot desk model applies so you will be able to become a member of COVE. We're working through the final details of what that affinity program would include and what the cost would be, but there is certainly an appetite for that. That's particularly compelling for the companies that are already in market but might not be physically in metro Halifax. There's quite a number of those companies around Nova Scotia, so that's a really good model for their involvement.

It really is an extension of the programming that we're already undertaking and have undertaken over the past five years within IORE, things like the ocean connector events that go on monthly. The ocean industry has a networking event. The third Thursday of the month, there's always one of these events. That will continue as part of COVE. There will be affinity programs.

I'll go one beyond that. We also have a memorandum of understanding in place with a similar facility called the Centre for Innovation and Entrepreneurship in Fall River, Massachusetts, that was actually signed by the Premier about a year ago. Under the auspices of that MOU, we have a quid pro quo exchange of hot-desk privileges. An entrepreneur from Nova Scotia who wants to go explore a partnership opportunity or a marketing opportunity in the New England market can essentially, at no additional cost, go hang out in a similar hot-desk facility in Massachusetts. We plan on establishing similar relations with a West Coast organization and a western European organization over the course of the next 12 months.

MR. CHAIRMAN: Order. I let things go a little longer there because the answer was interesting. (Laughter) We will move to the Liberal caucus. Mr. Gordon Wilson.

MR. GORDON WILSON: Thank you, Mr. Chairman, and I hope we're afforded the same privilege.

Reflecting on the comments that my colleagues have also made, it's very enlightening and encouraging to have very detailed answers to the questions. Unfortunately, being one of the last people to question you, the effect of that is that you have answered a lot of my questions. But there are a few little housekeeping things I would like to touch on.

I don't think you mentioned what the total annual operating budget was - not only in your start-up year but in year five, say. Can you tell me what that is, Ms. Angel?

MS. ANGEL: To be clear, there's an operating budget for the site, which Waterfront Development manages, and it's in the order of \$1 million. There is also an operating budget related to the start-up yard, which is run by Innovacorp, which as the deputy outlined, includes a provincial operating grant. Then there's the operating budget related to IORE, which is managing the program of COVE, which is fully privately funded.

MR. GORDON WILSON: Could you give me the dollar value in year five for all three of those? A total of \$1 million?

MS. ANGEL: Annualized, it's \$1 million, yes. That's projected. We could prove heavy on electrical projections or light, et cetera. That's a ballpark, to be clear.

MR. GORDON WILSON: I don't believe there was any investment by HRM in this initiative that I have heard.

MR. MONTGOMERIE: I'm going to say I don't think directly - there wasn't an infusion of money. There may have been support and dialogue to help move the project along. Jennifer, I don't know if you might be aware of any.

MS. ANGEL: I can say that the Halifax Partnership, which is of course the economic development agency of the municipality, has been very deeply involved, particularly from a marketing perspective.

I would like to clarify my previous answer on operating. In addition to the operating \$1 million, amortization, which is a non-cash expense, it is also subsidized by the revenue generated. We also cover the amortization expense, and that's an additional \$700,000. So the total operating budget annually, including amortization, is \$1.7 million, projected.

MR. GORDON WILSON: Parking - I know that's a strange one, and my colleague actually mentioned it. What's the parking plan for there?

MS. ANGEL: I get to talk a lot about parking. It's a great question. Parking is limited on site. Lay-down space is valuable. It's valuable for marine industrial use, marine business use. So we have developed an operating pro forma around a charge for parking, in part to encourage other forms of access of the site.

One of the things that sort of picks up on the local MLA's comments is that this site is located in the urban centre. It is on a multi-use trail system. It is within 10 minutes either way of both ferry terminals. There's a lot of thinking that goes into promoting public transit. We're talking about water taxis, et cetera, and other ways to access the site. Parking is limited. One way to disincentivize parking single-use vehicles is through charging for parking.

That said, as we have talked about, we have an ultra premium or super premium rent, so we don't want to overburden tenants on site. We're still working through that concept, it has not been fully baked.

[10:45 a.m.]

MR. GORDON WILSON: Okay, thank you. These might seem minor but there are curiosities more than anything. Obviously, I want to introduce myself, Clare-Digby, rural Nova Scotia and I think it's important that what's good for Halifax, HRM, certainly is good for us, especially when you're talking about the resource sectors that this is going to impact. The innovative things that I know, the young fishermen coming into the industry want to be part of it, versus the older fellows who always did it their way - the new captains, the new folks out there are watching this, so I really do bring that message.

On saying that and also representing rural Nova Scotia, we do have a very vibrant industry out there in shipbuilding and all the fabrication and things like that. How can I encourage or how can we see rural Nova Scotia being involved directly in the COVE experience?

MR. HANLON: I spent a lot of time thinking about that and as you just said, I'm firmly convinced that the core of the innovation in the ocean sector, particularly the resource side of the fishing industry, is not centred in Halifax. It's coming out of the smaller towns in Nova Scotia where that industry is prevalent. I can tell some amazing stories about the innovation that's going on right from the bridge of some of those fishing vessels and the smaller shipbuilding facilities around Nova Scotia.

I think it's incumbent on us to do that outreach on a very active basis. One of the things we're doing as part of the buildup of infrastructure at COVE is recognizing that we're going to have to have first-class capability around things like video conferencing.



We're going to have to have a travel budget that takes us to Digby, to Shelburne, to Liverpool, to Sydney, on a regular, recurring basis because left to its own, it won't happen by itself. We definitely need to proactively manage that relationship.

I can tell you that we've done that over the last two years. We've been to virtually every mid-size and small town in Nova Scotia and, as you've just said, the response so far has been that this will raise all boats, this is actually good for the province so we want to make sure that relationship stays solid.

We have an ongoing discussion actually about hosting a conference at the Cornwallis conference centre around the transition of the fishing industry to a knowledge-based industry, so that's what I'd like to have further discussion with you on.

MR. GORDON WILSON: Great. To change tack here, I heard earlier comments about what the Public Accounts Committee is here to do, it's here not to look forwards, it's to look backwards and I do see this very much as a looking-backwards session. There's one opportunity for a line of questioning that I'd like to point out to my colleagues that we should be focusing on, and that is we're talking about a substantial investment in Nova Scotia, not just in COVE, a major change in direction towards that word we've heard here more than any other time: innovation, innovation, innovation.

The Province of Nova Scotia has made a major change in the way it's going to move this province away from funding large corporate businesses and putting money in their hands to make the decisions, to entrepreneurs, innovations, and those sectors - in all the sectors.

Several other things come into play here that I'd like to ask a question specifically of Mr. Roberts and Mr. Montgomerie and that's in all those other key areas in innovation and how they might tie into this - some haven't been mentioned, some have - the ones that have been, certainly sandboxes and Volta and those ones, but there's also Innovate to Opportunity, there's the Mitacs acceleration program, there's Research Nova Scotia and the Research Opportunities Fund, there's the Graduate Scholarship program, and the Graduate to Opportunity.

All of those, how do they tie in directly, and if you could - and I know that's a long question with a lot of points - but I really would like to hear on each one if I could, how they specifically tie in with this COVE initiative also.

MR. MONTGOMERIE: It's part of the dynamic of changing the conversation. The good news is that Kent would recognize every program that you mentioned, although most of them are administered by LAE because we don't stand alone - we work with NSBI, we would work with others. We work with the private sector around most of those programs to make sure they're successful.

The sandboxes are an interesting dynamic. The father of sandboxes was the president of Ryerson University, Sheldon Levy. Sheldon became deputy in Ontario and he and I became very good friends. He said, Duff, imagine trying to get professors to work with companies. It took me two years to convince them that they should be doing that and have students, companies and professors in a room together. Now they're just thriving. How in the name did you get seven sandboxes in Nova Scotia - number one? Number two, not one of them is a stand-alone. Every one of those sandboxes is a partnership between two universities or a university and a community college.

A good example is NSCAD and Dalhousie. You take those bright, young creative kids from NSCAD and you put them in with those very pragmatic engineers from Dalhousie, along with the marketing component of Dal. The magic that occurs between that kind of arrangement - and then you have companies in the room as well who get to know those kids, get to mentor those kids.

Graduate to Opportunity is a real success story. Part of the dynamic of Graduate to Opportunity is a company may get a co-op student, for example. Particularly it's really helpful for small companies. They really enjoy and see the dynamic of that co-op student how it changes the conversation, even in a small business. With Graduate to Opportunity and support from the government, they can then hire that person full time. If I remember correctly, over 500 have been hired to date. Don't hold me to that. I'd rather double-check on that.

All of those things stacking up together is talking about a different way of doing business. The days of command and control by government are over and they need to be over. The enthusiasm that you feel from my colleagues here - I am so blessed in my job, I'm in this kind of setting in different places almost every day, whether it's with Michelin or IBM or small companies or universities or community college where people work together.

To the honourable member's question earlier about how you make this work - the wine sector one is a really good example at Acadia. If you go to Acadia University, you will end up in a laboratory that's funded through the wine industry and other government support. In that laboratory are students every day, and there are students that work in that laboratory. All the wine industry people that are in the province collaborate together because they need that central spot to make sure they stay innovative - not only in the product, but how they market the product and so on.

Do I sound a little excited? I am excited because it's really nice to be in a positive environment, but more importantly, it's really nice to see how people work together.

MR. GORDON WILSON: So in that question, there are a few that you didn't touch on, but that's okay for the sake of time because we're almost running out. You made a

decision to go with five start-up locations/30 new business opportunities in there. Why that ratio?

MR. HANLON: To some extent it's an allocation of space issue. You can treat those numbers almost separately. The five are the pure start-ups. That's the incubator run by Innovacorp within the greater COVE. What I'd say about those five is that number represents the start-up companies that will be physically resident at COVE. That's not the sum total of the number of ocean tech start-ups in Nova Scotia.

As an example, Swell Advantage - a recent success story coming out of the Volta facility - is an ocean tech play. They're doing software for marinas internationally, but they don't have any physical reason to be at COVE. They don't need the waterfront. They don't need the physical infrastructure of COVE. So that five number on the incubator space is just a snapshot in time of how many desks will be occupied by incubatees at COVE at any one time.

On the 20 number, that's really just a trade-off between physical space and numbers of intersects, and so that number could go up or down, as you know. We are now looking at more than 50 potential candidates, but as we drive that number higher than 20, the square footage per organization is going to have to come down to still fit it into the building, so that's a variable number.

MR. CHAIRMAN: Time is about to expire. We just have a couple of minutes left for closing comments. Mr. Montgomerie.

MR. MONTGOMERIE: I was tickled by several honourable members' comments about the detailed answers. Less deputies, more staff, you get better answers, I think.

The last thing I want to leave you with - a year ago, the Department of Education and Early Childhood Development created a Business-Education Council. On that council is IBM, Irving, several small businesses - Jordi Morgan, myself and others. Think about a Department of Education and Early Childhood Development dealing with the private sector of how we can work with students within the school system to become more entrepreneurial or to be more aware of opportunities. That's what this is all about.

Again I simply close by thanking my colleagues. It has been an amazing privilege to work with them and watch them make this project work and make it go. Thank you.

MR. CHAIRMAN: Thank you, Mr. Montgomerie, to you and your colleagues for answering our questions today.

Our next meeting is next week on January 17<sup>th</sup>. It will be to discuss the Cobequid Pass. We'll have the Department of Transportation and Infrastructure Renewal, as well as the Highway 104 Western Alignment Corporation as a witness.

We had one piece of committee business, that being correspondence from the Department of Fisheries and Aquaculture, that was information requested from our December 6<sup>th</sup> meeting. It showed significant growth in some of the export of species of seafood, so you have that. Are there any questions on that correspondence?

Any further business to come before the committee? Hearing none, this meeting is adjourned.

[The committee adjourned at 10:56 a.m.]