

HANSARD

NOVA SCOTIA HOUSE OF ASSEMBLY

COMMITTEE

ON

PUBLIC ACCOUNTS

Wednesday, October 11, 2023

COMMITTEE ROOM

**2023 Report of the Auditor General
Follow-up of 2018, 2019 and 2020 Performance Audit Recommendations**

**RE: June 2020 Report of the Auditor General
Nova Scotia Liquor Corporation - Phase I
and
May 2021 Report of the Auditor General
Nova Scotia Liquor Corporation - Phase II**

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Public Accounts Committee

Hon. Kelly Regan (Chair)
Nolan Young (Vice Chair)
Tom Taggart
John A. MacDonald
Melissa Sheehy-Richard
Danielle Barkhouse
Hon. Brendan Maguire
Susan Leblanc
Lisa Lachance

In Attendance:

Kim Langille
Legislative Committee Clerk

Gordon Hebb
Chief Legislative Counsel

Mike MacPhee
Deputy Auditor General

Freda Varley
Audit Manager, Auditor General's Office

WITNESSES

Department of Finance and Treasury Board

Kelliann Dean - Deputy Minister
Lilani Kumaranayake - Associate Deputy Minister
Michael Ingram - Director, Policy and Fiscal Planning

Nova Scotia Liquor Corporation

Greg Hughes - President and CEO
Dave DiPersio - Senior Vice President, Corporate Affairs
Caroline Duchesne - Senior Vice President, Finance and Risk



HALIFAX, WEDNESDAY, OCTOBER 11, 2023

STANDING COMMITTEE ON PUBLIC ACCOUNTS

9:00 A.M.

CHAIR
Hon. Kelly Regan

VICE CHAIR
Nolan Young

THE CHAIR: Order. I now call the Standing Committee on Public Accounts to order. My name is Kelly Regan. I'm the MLA for Bedford Basin and Chair of this committee. A reminder to all our participants here today to place your phones on silent. I'm going to ask committee members to introduce themselves, beginning with the Vice Chair, MLA Young.

[The committee members introduced themselves.]

THE CHAIR: Before we begin with today's agenda, we do have a Record of Decision from previous subcommittee meetings. I would like to deal with this quickly today to get along, so we actually have some topics for future meetings. Is that okay with the committee? I see some concerns.

SUSAN LEBLANC: You're the boss.

THE CHAIR: (Laughs) I see some concerns from the Vice Chair, so I would like to underline the importance of ensuring that we do have topics selected by the end of today. I will be looking for committee members when we move on to committee business to move along swiftly. Thank you very much.

On today's agenda, we have officials with us from the Department of Finance and Treasury Board and the Nova Scotia Liquor Corporation regarding Phase 1 and 2 audits of the Nova Scotia Liquor Corporation. I'm going to ask the witnesses to introduce themselves beginning with the witnesses on my far right.

[The witnesses introduced themselves.]

THE CHAIR: Now I will invite Deputy Minister Dean to make opening remarks.

KELLIANN DEAN: Thank you, Chair and committee members, for this opportunity to talk about our ongoing work to implement the recommendations of the Auditor General as they relate to the Nova Scotia Liquor Corporation.

Regulating the sale of beverage alcohol and cannabis is an important role of government. We have a social responsibility and many interests to balance. We do this with the NSLC. The NSLC operates as both retailer and regulator of alcohol products, with responsibility for the receipt, distribution, regulation, and control of beverage alcohol and cannabis throughout the province. Our shared values include collecting revenue to fund much-needed public services, encouraging responsible consumption, ensuring trade compliance and fairness, and helping develop local sectors. The department's close co-operation with the NSLC helps to shape public policy to meet these shared objectives. We have confidence in the corporation's management team and their ongoing commitment to making improvements to their operations, including making progress on the recommendations made by the Auditor General.

The Department of Finance and Treasury Board has completed our single recommendation, which was to develop a process for ensuring government priorities as they pertain to the NSLC are clearly documented and effectively communicated to the organization on a regular basis. We provide direction through annual business planning and provide input into the NSLC strategic plan. The CEO provides regular updates to the minister on NSLC initiatives. Through the year, the department continues to document direction provided in response to issues. We are pleased that the NSLC has made significant progress on its recommendations as well, which Mr. Hughes will highlight.

Last year, NSLC earned \$284.7 million, which contributed to the government's ability to fund important programs and services for Nova Scotians. NSLC generated this income in a socially responsible manner. Nova Scotia also has a responsibility to meet its trade obligations and agreements to ensure fairness for our companies globally.

As you may recall, Nova Scotia's Emerging Wine Regions Policy was among the programs at the centre of an Australian complaint to the World Trade Organization against Canada. They argued our policy provided preferential treatment to local producers and did not respect international trade rules - that wine from anywhere should be treated equally. As the dispute was under way, the decision was made to settle to avoid additional years of

litigation with an important trading partner. Part of that settlement in 2020 was that Nova Scotia would phase out the Emerging Wine Regions Policy. This process has begun, and Nova Scotia is on track to meet the June 30, 2024 deadline for completion. We are continuing to work closely with the Department of Agriculture as well, as they develop new programming to support the development of the growing wine industry, as well as our innovative craft brewers and distilleries.

Chair, we look forward to hearing more from Mr. Hughes and to addressing the members' questions today. Thank you.

THE CHAIR: Thank you, deputy minister. Mr. Hughes.

GREG HUGHES: Good morning, everyone. Thank you for the opportunity to provide an update on our response to the Auditor General's Report of the NSLC. Joining me today, as mentioned earlier, are Dave DiPersio, Senior Vice President of Corporate Affairs, and Caroline Duchesne, Senior Vice President of Finance and Risk.

We respect the work that's been done by the Auditor General and have accepted all recommendations made by both phases of this report. In April, the Auditor General reported that seven recommendations from Phase 1 remained outstanding. Since then, I can report to the committee that three of these recommendations are now complete.

At the NSLC, responsibility is at the heart of the organization. These completed recommendations will help us reinforce our efforts to ensure our products are sold in a responsible manner. This work included a review and update of our responsible retailing training program, and formalized the compliance and monitoring of this training.

We have completed a review of our Mystery Shop program to ensure consistency in the delivery of responsible retailing. This is done across all our channels. The program honours compliance with our ID verification requirements, helping to keep our products out of the hands of minors. We also completed an internal risk analysis to identify control issues related to the NSLC's permitting process. These recommendations are related to industry support and interprovincial trade.

These topics are complex, and they involve some input from shareholders outside the NSLC. These factors have required us to adjust the completion on some of our timelines. Despite this, significant progress has been made against each of these recommendations.

Two recommendations from the Phase 2 report have recently been reopened due to some outstanding documentation. The other nine Phase 2 recommendations have all been addressed.

We take pride in being collaborative and transparent with our business and as a business partner. We have a positive working relationship with local industry, NSGEU, our suppliers, and the Department of Finance and Treasury Board. This collaboration will ensure that this work will continue, and all recommendations will be resolved.

At the NSLC, our more than 1,800 dedicated employees work hard to create an exceptional experience for our customers, and add value to the communities in which they serve. Our people truly are the key to our ongoing success. We continue to return 100 per cent of our profits to the Province and to Nova Scotians to support key public services. Last year, we returned \$284.7 million to the provincial revenue.

On top of this, our team comes together to support organizations that work to build healthy and sustainable communities. We thank our generous customers, suppliers, and employees for helping us complete this important work.

We are proud of our contribution. I consider it an absolute privilege to be part of this amazing team. Thank you.

THE CHAIR: Thank you, Mr. Hughes. We will start our first round of questioning, beginning with the Liberal Party. The time is 9:09 a.m. MLA Maguire, you have until 9:29 a.m.

MLA Maguire.

HON. BRENDAN MAGUIRE: To Mr. Hughes: What was the revenue last year from marijuana sales in Nova Scotia?

THE CHAIR: Mr. Hughes.

GREG HUGHES: The revenue from sales of cannabis last year was \$111 million.

BRENDAN MAGUIRE: I know that marijuana was legalized by the federal government, and the previous government decided the way to distribute it. Just doing some research over the last couple days leading into this, Nova Scotia has the highest percentage of marijuana usage in Canada at 32.8 per cent of our population, or 260,000. That was in 2018. I think that's a little bit higher now, the population - with an average of 27.1 grams per year. I've done a little bit of research. The total revenue - the sales - that you just said amounts to about \$40 per person, if you use the averages from Statistics Canada.

Where are they going if they're not going to - this was supposed to curb access to illegal marijuana. I would say, just from what we know from being in the NSLC, that's probably about two grams of marijuana. So where are they going?

GREG HUGHES: I'll certainly comment on our distribution, and then I might pass it over to our shareholder and deputy, because it's about the decision that was made in terms of the NSLC before my time. I can tell you that part of our mandate was to get the illegal sale of cannabis off the street. I think we've done a great job of that. Our original network looked at just 12 stores, which would not cover distribution and, quite honestly, was quite expensive, those original 12.

Our team has looked at ways to maximize distribution. We are now at 49 stores that carry the cannabis products, and we have a few more scheduled later in this fiscal year. We also offer home delivery. Currently it's through Canada Post, and we are in the midst of trying to enhance that from a safety distribution perspective and also, quite honestly, just to get it a little bit smoother into customers' hands.

BRENDAN MAGUIRE: Again, I know this is before your time, but I know some people who are here - and obviously the decision, again, was made previously. We look at Colorado, for example. You and I have had this discussion. Last year alone they had \$1.8 billion in sales. Per capita, they're not even close to what Nova Scotia is. One of the things I've heard is - and I'm glad that you touched on this - how expensive these stores are to open up. We had 12 stores originally. We have 49 stores. What is the average build cost for a store, and then what is the average annual cost, including labour, to keep one of these stores open?

GREG HUGHES: Really good question. Totally agree with you that the original version would not have been financially sustainable. Our team looked at a more cost-effective way to put a store within a store. We absolutely have to follow Health Canada guidelines in terms of how we operate within our four walls, but our average cost - and we can get you the exact number - would be close to probably \$300,000 for the original setup.

Early days - those 12 original stores. They were on average about \$1 million. We found a more cost-effective way to roll this out. I do believe we're getting to a bit of a crossroads of where we can put it in our existing footprint, just because of size. We have a lot of buildings that we own that have limited space, so it's how to find that balance. If you look at the map of Nova Scotia, you can definitely see that we do have coverage for all Nova Scotians if they're interested in purchasing our cannabis products.

BRENDAN MAGUIRE: That's the build cost. The build cost, if we just go by the low end, which is \$300,000 - we know it's probably a little more than that with the original ones - is close to \$14 million but probably closer to \$30 million with the original cost of the 12 stores, so \$30 million upfront cost to build these stores. Secondly, I don't think I heard what the annual cost is to keep one of these stores running. Do you know what the annual cost is to keep one of these dispensaries running?

GREG HUGHES: I wouldn't have that exact number. We can get it for you. Under our expenses - we only have the one stand-alone cannabis shop on Clyde Street. All the

other ones are underneath the same rooves that we would sell alcohol. We don't break out that expense when we look at per unit, but we can send it back to the committee, if that's okay.

[9:15 a.m.]

BRENDAN MAGUIRE: I'd probably argue that the way this has been rolled out, and the way it's currently sitting right now, hasn't curbed the illegal sales of marijuana. In fact, I think with the new federal legislation, the provincial policies on this, it's actually encouraged. I don't know the last time I heard about somebody being arrested, raided or whatever for marijuana. The reason I bring that up is because I do think it's a missed opportunity.

I do know that in the community I represent - remember when we had that moment in time when nobody knew what we were going to do? I know there were two shops that were set up legally, kind of a grey area, in Spryfield.

I reached out to one of the owners, and his profit after everything was \$80,000 a month - what he was making on the private end sale. The other guy up the street was making about \$110,000 a month.

For some reason, I don't think people are going to the liquor store the way they were going to some of these shops. I remember driving by them every morning. There'd be a lineup out the door for people waiting to get in, and I don't think we're seeing that. I think it's the same thing that has happened with the NSLC, which is: location, location, location. So I guess to expand on it a little bit, what I'm trying to get at is: Is there an opportunity to have stores outside of the NSLC structure?

I'll use the example of the convenience store in Sambro. I'm sure there are many in rural Nova Scotia that have - I don't know the exact term that you use - the NSLC is in those stores. Is there an opportunity for that with cannabis sales? I think with cost of living, with inflation, with everything, these stores are struggling, and businesses are struggling right across Nova Scotia. I think it's an opportunity for them. Has it been discussed about potentially expanding to convenience stores or corner stores?

GREG HUGHES: I'll answer the first part of your question first, and then we'll circle back to the end.

Since we've been on the journey of legalized cannabis, one of the major items to combat the illicit market is the price per gram. The bulk of our customers still want flower product, which is the bulk of our business. We've successfully, in working with our vendors, been able to get the price on average to just over \$6 per gram. I do also believe that there's work to be done with work in terms of combatting the illicit market. We, too, try to get the best intel we can, but as you're probably aware, the illicit market does not

report its financial statements. So there's a little bit of guesswork and estimating that has to happen.

In terms of distribution, we are always looking at ways to enhance for Nova Scotians to get our product. We work closely with the shareholder in terms of what that would look like. As we sit here today, we are the only legal recognized agent that can sell cannabis products, but if we were to look into the future, who knows what that opportunity might look like? If I look at what the NSLC does on the alcohol side, we do have a great agency store network of, I think, just over 60 locations where they run the retail component themselves. Who knows, perhaps in the future that might be an option where we already have that partnership, but that would be a change to the laws that we have in the province currently today.

THE CHAIR: MLA Maguire, you have 10 minutes left.

BRENDAN MAGUIRE: There is some information out there on how successful or not successful sales outside of the NSLC can be - and that would be the Indigenous stores. Do you keep track of the sales in the Indigenous stores, and is that reported to the government on revenue and sales?

GREG HUGHES: It certainly does not through the NSLC channel, but I'll ask the deputy minister for further comment from a provincial standpoint.

THE CHAIR: Deputy Minister Dean.

KELLIANN DEAN: Thank you. No, we don't have an indication of sales outside of the NSLC network.

BRENDAN MAGUIRE: Nobody knows how much is being sold and what kind of revenue is being generated out of those stores? Nobody from the Department of Finance and Treasury Board - nobody from government knows? I'm just trying to understand.

THE CHAIR: Deputy Dean.

KELLIANN DEAN: Out of which stores?

BRENDAN MAGUIRE: Through Indigenous sales.

THE CHAIR: Right now, MLA Maguire, I had just said "Deputy Dean," so she's got the mic.

KELLIANN DEAN: Thank you, Chair. I'm just trying to get some clarity. Which stores are you referring to?

BRENDAN MAGUIRE: Through Indigenous sales. Does nobody know?

KELLIANN DEAN: We do not have access to sales from Indigenous stores. I would have to check where that information might exist. At the Department of Finance and Treasury Board, we do not have that information. I can certainly check with colleagues at the Department of Justice.

BRENDAN MAGUIRE: The reason I ask is because that could, I would think, inform the NSLC when it comes to expansion and how to expand. I would think that would help, especially if revenue is higher or revenue is lower, if costs are higher, if costs are lower. I suspect that costs are lower than running out of an agency or one of the stores.

Do you foresee, Mr. Hughes - is there a plan for expansion? Has there been discussion about agency stores throughout Nova Scotia?

THE CHAIR: Mr. Hughes.

GREG HUGHES: Certainly, as I mentioned in my earlier comments, we are getting to a bit of a crossroads in terms of what we have for options at our stores. We're just at 49 today out of our 110 corporate stores. There'd be continuous discussions with the shareholder on how to evolve this. We would agree that we're just part way on this journey. It's not done or over yet.

BRENDAN MAGUIRE: I'll change the topic in a second, but what I would say is that we're not reinventing the wheel here with access to marijuana. It's the same thing with liquor stores and agency stores. When I was younger, there was no liquor store within the rural part of my community, so where did we go? We went to Joe's, the bootlegger. That's where we went. Then an agency store opened up, and guess what happened? We started going to the agency store. Right now, what's happening across Nova Scotia - and I think while we want to say that this is successful - I would say this is not even close to being successful, when the average user in Nova Scotia is spending \$40 a year. That's what your statistics show.

The average user at your NSLC is not paying \$6 a gram. They're paying probably closer to \$15, \$20, somewhere around there, depending on what they get. I think you're probably including pre-rolled in that price too, right?

What I would say is that we have to take a good, long, hard look at this. This is a massive revenue generator for a province that needs to make investments in health care, housing, and things like that. People are using this product, and the best way for the Province to be able to, let's be frank, profit off it is to have access to this product at a reasonable price. What's happening right now in the marijuana industry is - I could literally make a phone call right now and have marijuana delivered to that door, and nobody is

going to say a thing. There are probably about 100 different options out there. That access is not happening through the NSLC.

What I would encourage is maybe just taking a look at the very successful rollout of our agencies and how that could help rural Nova Scotia. That could produce jobs, and that could actually bring income away from the illegal market into government coffers. That would be my suggestion.

I'm no expert, but I just see how successful NSLC has been - extremely successful. It's one of the best places in Nova Scotia to work. I know lots of people who work at NSLC. They absolutely love it. It's great-paying, a pension, benefits on top of it. There are lots of places to work. I would encourage you to potentially look at that agency and start picking and choosing where to expand to.

I will shift gears now. We just had a local brewery close down. The only brewery we have in Spryfield just recently closed down. One of the complaints they had was how difficult it is to get his product into the NSLC - jumping through hoops, and it was just so difficult. In the end, it was one of the reasons why he felt that he was unable to be successful. It is very difficult to compete with - I think he had Belgian beer, I don't drink - other brands of Belgian beer when you can't get your beer into the NSLC. One of the questions I have is about streamlining local products. We know that the wine industry's been very supported, but we've heard a lot of complaints from our local brewers.

Are there any plans to make this easier? I know Ms. Dean just talked about having to settle, but are there any plans to make it easier for local products to be able to be sold in the NSLCs across Nova Scotia?

THE CHAIR: Two minutes. Mr. Hughes.

GREG HUGHES: Great question. We love local, and we win when local wins. I would say that the NSLC team takes it extremely personal when one does not succeed.

I can certainly speak to my tenure at the NSLC, which is just over four and a half years, and the changes that we've made. We have made it more user-friendly for local vendors. Each local vendor is guaranteed at least one SKU. We also have a program which we call Hyper Local. It's kind of evolved into a bit more of an acronym now. It allows a craft brewer, in this case, close to our corporate stores, to have a few more SKUs, because that's where they may have a customer following.

One thing that we can't influence with customers is they vote with their wallets. If the product - and I'm not talking to that one vendor specifically, but just overall - we need to ensure that they're making products that our customers want to buy.

THE CHAIR: One minute. MLA Maguire.

BRENDAN MAGUIRE: Again, I'll say that I haven't been into an NSLC in over three years, but I do know from the wine sector that it's been very successful, and they feel very supported. So thank you for all of that also.

One of the things that I had noticed the last time I walked in - and I've had people say this to me - is that when you walk in, local products in some of these stores aren't on display right away. I know the one in Spryfield, you've got your Italian, then your French, and then it takes a while to get to the Nova Scotian. Most people don't get that far down the aisle, right?

Are you allowed to, from a competitive standpoint, is there a certain setup that has to happen in the liquor store? If not, why would we not put our local products first?

THE CHAIR: Mr. Hughes, you have two seconds.

Order. There we go.

We'll now move on to the NDP for questioning. MLA Lachance.

LISA LACHANCE: Thank you so much for being here. First, a quick opening question for Mr. Hughes. I just want to catch up. You said, from the Auditor General's 2023 follow-up report, that three out of seven have been implemented. So that's Recommendations 1.9 and 1.10, and then I missed the other one. Then in terms of Phase 2, you said that two had been reopened. I'm just wondering if you could clarify which two had been reopened.

THE CHAIR: Mr. Hughes.

GREG HUGHES: I'll actually pass this one over to Mr. DiPersio.

THE CHAIR: Mr. DiPersio.

DAVE DIPERSIO: Good morning. Thank you. To answer the second question, from the report: The Phase 2 report is actually the first two recommendations that have been reopened. That was really due to some outstanding documentation related to our temporary listings - our one-time-only product listings. The documentation was deemed appropriate for our general list items, which are our permanent listings, but we realized we needed to make some improvements to the documentation of the more temporary listings. For that reason, those two were opened up.

With regard to Phase 1, there were three that were closed. One related to the risk assessment of the permit office, so that risk assessment was completed by the NSLC. Training compliance, which we took probably the most seriously from the Auditor General recommendations - that compliance program is in place for all channels of business. That

includes both our NSLC corporate stores, as well as our agency store partners, and the private wine stores, and now local producers. So we've expanded our training and compliance program to include all channels of access in the Province of Nova Scotia.

[9:30 a.m.]

The last two were really together: training components and mystery shopping.

THE CHAIR: MLA Lachance.

LISA LACHANCE: Phase 2, Recommendation 1.11 essentially talks about board governance: making sure the competency matrix is updated in advance of board vacancies, identifying skills gaps - that sort of thing. I wanted to ask about a recent appointment by the HR Committee to the NSLC board, which included a past president and campaign co-chair of a political party. Obviously, these are positions with high responsibility. They're also well compensated - \$1,000 per month. I'm wondering what processes the board has in place to guard against partisanship in its operations. This might be a question for Deputy Minister Dean. Are you consulted, or do you receive suggestions from folks outside the department about appointments to the NSLC board?

THE CHAIR: Deputy Minister Dean.

KELLIANN DEAN: The process for selecting candidates for the NSLC is done through the Executive Council Office. There is an ad that is placed, and anybody can apply through that process to become a member of any agency, board, or commission in the province. For the NSLC, there is a matrix, and there are different skill sets that NSLC is looking for and wants to make sure there are gaps that are filled on the board. We respect that, and we work with the NSLC on that.

When those applications come in, they are screened to make sure those people have the skill sets that would be required to be on the board of the NSLC. Those screened-in candidates are proposed, then it's the minister who makes the recommendation. Then, as you know, that recommendation goes to the HR Committee and is also approved by Governor in Council. That's the process. We've adhered to that process for many years. It hasn't changed. What I would say is that we continue to follow that process in all the board appointments.

LISA LACHANCE: The skills gaps that are identified on the board - are those publicized?

KELLIANN DEAN: I will ask Mr. Hughes if he wants to comment on that. I know there is a framework in place so that we maintain an accurate assessment of the various skills of the board members.

THE CHAIR: Mr. Hughes.

GREG HUGHES: That is correct. There is a matrix. The NSLC obviously does not pick who comes in on our board. I am the only employee of the NSLC board, but we do follow and would provide intel back to the shareholder if there's a gap. If I think of the most recent appointment that was made last week, there was a need for the NSLC to have an individual with a retail background, and that individual does. Certainly, anyone I've seen come in during my four-plus years at the NSLC have all been great individuals who have the right thought in mind in terms of why they're serving on that board, and have been a great help for us and our management team.

LISA LACHANCE: I'm sure that everyone who has put themselves forward have been great candidates. When I think about recruitment for non-profit boards, for instance, there's often a lot of transparency. You'll see a board saying they're recruiting for general members or for someone with a communications background or an accounting background. I certainly am quite familiar with the ABC appointment process. The blanket ads don't provide that kind of specif - you know the word I'm trying to say.

THE CHAIR: Specificity.

LISA LACHANCE: Thank you. (Laughter) You can see when the final recommendations come down to ministerial recommendations, at the end of a process that starts public but quite lacking details, and then ends with a ministerial recommendation that there might be questions about who was left off the list and folks who maybe don't see themselves in the traditional ABCs. I think that's probably a subject for another meeting in terms of diversity, equity, and inclusion in ABC appointments.

I just want to go back to some of the recommendations from the 2023 report. A number of them were expected to be completed in March 2023 - so we're not there yet.

Maybe I'll start with Recommendation 1.4, which is around establishing a process - including qualifying requirements - for marketing products as Proudly Nova Scotian, and to ask for an update on that process.

GREG HUGHES: Thank you. That's a great question. The NSLC had actually started down a path of, for alcohol in particular - we do it in cannabis, but in alcohol in particular - identifying bottles on the shelves that are Proudly Nova Scotian so it's easier for the customer to identify. To take the biases out of it, we hired a third party and had customers actually come in and give us the feedback of what they would deem as "local," which was a really good process.

We were about ready to implement that and, with the change in government and a political commitment on the focus of purchasing local, we wanted to slow that down and make sure that we had open collaboration with the shareholder, and that we were both

aligned in terms of where we're heading. I would anticipate that you'll see that program launched very soon.

LISA LACHANCE: So thus, has that program then been rolled into the evolution of Nova Scotia Loyal? Is that what the implication is?

GREG HUGHES: I can't comment on that. I'm not sure exactly what the other program looks like, but I can tell you that we are collaborative in sharing our customer intel through that third party with the shareholder.

LISA LACHANCE: It is perhaps concerning and disappointing that you were at the point of almost being able to launch your own program, and have had to slow down for a program that hasn't appeared, and for which we have no details. I guess also, having the liquor corporation separate from government should be that we should be making decisions with the board around strategic directions that make sense to your industry, and have that level of independence. So that's disappointing that it hasn't launched yet. Unless you can specify a little further on very soon, we can keep going with some of my questions.

Mr. DiPersio mentioned, in terms of the Phase 2 audit in 2021, that the ones that have been reopened - Recommendations 1.1 and 1.2 - are really around product selection and listing. So wanting to open that up to understand better in terms of local products and one-time products and that sort of thing, I think, is what you mentioned.

Those recommendations - are they still open, or were they reopened in terms of policies? Are those policies now complete?

CHAIR: Nine minutes. Mr. DiPersio.

DAVE DIPERSIO: Yes, the two standing recommendations remain incomplete. As I said previously, the documentation of the process is as complete for our permanent listings - what we call our GL or General List items. But when we did a review of the documentation we had accumulated, we realized we still have more to accumulate on our temporary one-time-only listings. We are still working through that process to make sure the documentation is up to date.

I will say, we have a fairly transparent process with our suppliers on how the listing and promotions work for the NSLC. We publish an annual promotions guide that is available to all suppliers so that they understand, in general, the listing process, how it works, the promotional programs they participate in, and how they can work. It's fairly detailed. It's about 40 pages in length, as I recall, and it's a publicly available document to any supplier who is interested.

LISA LACHANCE: When do you anticipate those policies to be finalized?

DAVE DIPERSIO: Probably a couple of months.

LISA LACHANCE: I'll keep working my way through some of these recommendations. We've heard a lot from folks in the craft beer industry, and concerns about how several of the policies disadvantage local producers. Recommendation 1.5 talked about looking at issues around the beer trade to assess benefit to Nova Scotia manufacturers, and establish clear policies that don't favour other provinces' manufacturers and do support the development of our craft brewing industry.

I'm wondering: Can you explain why this recommendation hasn't been completed? It's been delayed. What's the plan for moving forward on this?

THE CHAIR: Mr. Hughes.

GREG HUGHES: Thank you. On the beer trade agreement that you referenced, that involves discussions at different levels of government. It also involves discussions with us at the NSLC and some of our counterparts in the Atlantic Provinces. As mentioned in my earlier statements, in some of these recommendations, there are multiple stakeholders involved and it takes a little bit of time. We are very close to having this completed, and we'll be reporting on that to the Auditor General shortly.

LISA LACHANCE: Through this process, have you been engaging with local stakeholders, and what have you been hearing? What have you been hearing regarding the impact of this delay on their businesses?

GREG HUGHES: Certainly, if this is specific to craft beer, we spend a lot of time with the Craft Brewers Association of Nova Scotia. We help fund them to keep them profitable and operational so they can actually have an association. We do not vote. We are non-voting members of those associations, but certainly our team would sit closely with the craft brewers of our province. We share intel with them in terms of what customers are looking for and insights. They are very aware of the shelf space that's given to them in our stores as well.

We all have to balance this off and be respectful, as per what Deputy Minister Dean had mentioned in her opening comments with the WTO challenge. That was specific to wine, but I think we have to be very open and transparent - that it is a level playing field, whether you're local or not - on our shelves.

THE CHAIR: Five minutes. MLA Lachance.

LISA LACHANCE: We talked about Recommendation 1.10 and that that training and the Mystery Shopper program have been evaluated and are monitored. Can you explain what data you have in terms of sales to folks who are underage at liquor outlets in Nova Scotia?

GREG HUGHES: We take this extremely seriously. Quite honestly, it's one of our major pillars. It's as equal to us as the amount of revenue that we generate and send back to our shareholder. I can tell you that it needed to evolve, and I think it was a very good recommendation from the AG team.

Last year, we checked over 2.2 million IDs at cash, and 19,000 people were refused the sale of alcohol for being underage.

LISA LACHANCE: What about situations where - obviously it was found out sort of post-haste - a young person had been able to buy alcohol at an NSLC outlet? Do you have figures on the average annual number of cases that are reported to you, acknowledging that obviously you probably do not receive the majority of reports? What do you do with that information?

GREG HUGHES: I don't have the exact figure in front of me. We could get that for you after, in terms of what you asked - the first part of your question.

We do use a third party, though, that does testing for us to double-check to make sure we're checking the IDs as well. That's across all our channels - whether it's our home delivery, the agency stores, et cetera. All our employees are trained at the same standard in terms of what to look for. The cut line in terms of age is 30 or less. If you look like you're under 30, you're going to get checked.

THE CHAIR: It's been a while. (Laughter)

GREG HUGHES: It hasn't applied to me in a long time. I'm waiting for just one of them to ID me just so I feel a little bit special. That's probably not going to happen. We do take it very seriously, for sure.

LISA LACHANCE. It would be great to have those figures. We'll wait for the number, but do you receive reports of violations, and what do you do with that information?

GREG HUGHES: I'm going to give the example of our store network. They take it very seriously. I won't say they're competitive, but they are friendly competitive. They have targets in terms of what they need to achieve, and again, that third party can validate it. It's checking the checker, so to speak. I can tell you that if there is one that gets through, it is managed with a lot of due diligence. It's documented. If it's one of our employees, there's performance coaching. If it's one of our agency stores, they could be in jeopardy of actually losing their contract. If it's in our home delivery option, the vendor or third party who does that could also be in jeopardy of losing the contract.

We have that written into our legal agreements with the agency stores and through our home delivery options. At the store level, it's one that we can really coach quite

quickly. The stores are aware, the managers are aware, and they can actually lose points off their scorecard, which is very significant, if they have these breaches.

[9:45 a.m.]

LISA LACHANCE: How many minutes do I have left?

THE CHAIR: You have less than a minute.

LISA LACHANCE: Maybe we'll return to this question in our second round, but I'm wondering, has there been an evaluation of the home delivery service?

GREG HUGHES: Yes, there has been. I'll probably have to circle back to this, because I'm going to run out of time, but yes.

THE CHAIR: You have 30 seconds.

GREG HUGHES: Thirty seconds. I don't know if I can answer your question in 30 seconds, but we have done some post-evaluations since launch.

LISA LACHANCE: Are the results available?

GREG HUGHES: Yes, they are.

THE CHAIR: I'll call order - we're two seconds away. Order. We'll now move over to the PCs for questioning. MLA Sheehy-Richard.

MELISSA SHEEHY-RICHARD: I just want to start off - it's been five years since legalization of marijuana and cannabis. I visited some local cannabis producers, and the start-up costs - after five years a lot of these producers are still struggling. I'm just wondering if you could elaborate or give me a little insight into what the cannabis sector in Nova Scotia is looking like these days and into the future. I don't know if that's for the department or Mr. Hughes.

THE CHAIR: Mr. Hughes.

GREG HUGHES: We work quite closely with the local cannabis producers. I can report to the committee that they've recently started their own association. We helped them get that off the ground and running. Again, that will allow us to keep those open communication channels to share industry trends, et cetera.

It is a big investment for folks who are producing cannabis legally, and there are a lot of Health Canada guidelines they have to follow. I can tell you that the original launch in Nova Scotia overall was extremely successful, and that would not have been as

successful if it wasn't for our local producers. We know they do very well at our store level. Currently, there are 61 suppliers that we deal with in total, and 15 of those suppliers are here in Nova Scotia. It fluctuates a little bit, but they represent anywhere from 25 to 30 per cent of our overall business. That has been increasing year over year.

MELISSA SHEEHY-RICHARD: You were talking about elections and Proudly Nova Scotian, and you also mentioned during that answer that you had some stakeholder engagement. I'm just wondering if you could expand a little bit on what that engagement was and what work was involved with that.

THE CHAIR: Mr. Hughes.

GREG HUGHES: I should point out to the committee that it was actually the NSLC that asked the question that we should probably slow down the process. We wanted to make sure we got it right. We wanted to make sure that if there were any other ideas out there that were even more improved on what we thought we had, we would sure like to borrow or steal them in a very polite way.

There's been a lot of collaboration with the two teams in terms of what Nova Scotians' expectations are of local, and it's been very open and transparent. We could make that information available to you, in terms of what our customers are telling us, in terms of what they see as local.

THE CHAIR: That would be most helpful. MLA Sheehy-Richard.

MELISSA SHEEHY-RICHARD: I guess my other question around Proudly Nova Scotian, or whatever that campaign is going to look like is: Can you talk a bit about any other initiatives that maybe support three vineyards and all kinds of hops and all kinds of this local product that I see? Are there any other initiatives that you have, maybe, that would promote these local producers?

THE CHAIR: Mr. Hughes.

GREG HUGHES: Yes, we do a lot with the local vendors, and I think the most important thing is sharing insights and customer information, so they can pivot quickly with their business. As I mentioned earlier, every local vendor gets at least one SKU. I should mention to the committee that if you get on all of our shelves in all of our stores, it's a big demand on a business.

We have to spend a lot of our time actually working with the vendor to make sure they're ready for that trajectory when it hits. We have lots of vendors that are great new stories, in my opinion, where they started with one SKU and a handful of employees, and now they're employing 80 to 100 individuals in the province, and doing upwards of \$15

million to \$16 million dollars in sales with NSLC. It's one that we're very proud of and there's a lot of interaction with local vendors.

One of the things that we did set up recently was to have one point of contact. We are so big and large, if you're starting out very small, from your garage or basement, and then to a fixed facility, we can be a little bit overwhelming because of our size and whom you should deal with. One of the decisions we made as a management team was to have one point of contact for local. It makes it easy. They know who they are, the phone number, they can reach out, and then that individual can quarterback anything - whether it's from a customer inquiry, to insights, to how you get on our shelves. We do have very easy-to-read manuals of how to get products on our shelves.

There's a lot of interaction, not just through the associations, but even just visits with local vendors one on one. I participate in probably 15 to 20 of them a year, and we will do upwards of 80 to 100 formal and informal touch-base points with local vendors in the run of a fiscal year.

THE CHAIR: MLA Sheehy-Richard. Fifteen minutes.

MELISSA SHEEHY-RICHARD: How many?

THE CHAIR: Fifteen.

MELISSA SHEEHY-RICHARD: Okay. I just have one quick question, then I'm going to pass it to my colleague. You had mentioned that some of this is going to be seen, and I can't remember when you said. Is it coming this Spring? I can't remember which one you had said. I just wonder if you could remind me of that date.

THE CHAIR: Mr. DiPersio.

DAVE DIPERSIO: Thank you. Just to clarify, the Proudly Nova Scotian banner already exists in our stores. We've been using that for quite some time. It's a well-recognized program within the NSLC. The Auditor General recommendation really spoke to the criteria within which we assigned particular products to that category.

So really, that was the focus of the customer research, was really to narrow down exactly, from the customer perspective, what is considered local, and thus what would qualify to be put under that banner. The program itself is in existence and this is really applying the new criteria to that program.

As Greg said, we are monitoring what was happening with Nova Scotia Loyal, where we've kept ongoing engagement, and we realize that we can now proceed. They're supportive of our efforts in this area. We plan to launch this, probably in the Spring of

2024. We have to consider our alignment with other launches that we do within our retail network.

THE CHAIR: MLA Barkhouse.

DANIELLE BARKHOUSE: I know you touched on this for a couple of seconds earlier, but we note that a number of the recommendations have to do with training for employees responsible for retailing, and refresher training. Can you share with us what improvements have been made with regard to training? And that would be to Mr. Hughes.

THE CHAIR: Mr. Hughes.

GREG HUGHES: It was certainly time to evolve the documentation that we had. There were some legacy items there that had to be more modernized, for sure, which we've done. Then, as I mentioned earlier in my comments earlier to the committee, it goes across all channels even more in depth, with clear expectations of what those channels have to accomplish in terms of social responsibility.

THE CHAIR: MLA Barkhouse.

DANIELLE BARKHOUSE: This one's for Deputy Minister Dean: How is the Department of Finance and Treasury Board ensuring that NSLC is conducting their business and operations in a way that benefits Nova Scotians?

THE CHAIR: Deputy Minister Dean.

KELLIANN DEAN: I would say that the governance framework ensures that the operations of the NSLC benefit Nova Scotians. On an annual basis, we receive a business plan from the NSLC, and we have an opportunity to provide input and ensure that their objectives are aligned with the objectives of government around sales of liquor and cannabis through the NSLC.

As well, I sit on the board as a non-voting member, but on a regular basis, as feedback might be required or if there are questions that NSLC has of the shareholder's position on certain issues, I'm able to provide feedback and make sure that that's reflected, again, in the business plan and in the future operations of NSLC.

I would say that we work very collaboratively. We have a good relationship, and that's only gotten stronger, I think, since the report has come out from the AG and the recommendations have been acted on. The NSLC is providing safe sales of these products to Nova Scotians and they're doing it in a responsible manner in a way that generates revenue, and then those revenues are used to fund programs and services that Nova Scotians need.

I think the framework that exists, the way they operate, has been strengthened and continues to move forward in an effective way.

THE CHAIR: MLA Barkhouse, with just over 10 minutes.

DANIELLE BARKHOUSE: It was very nice to see everyone shake their head when the deputy minister said that your connection has grown stronger since the AG's Report, so that is fantastic. I rather enjoyed that.

Deputy minister, can you discuss how we as a government determine whether new product and business proposals from the NSLC are in the best interest of our province?

KELLIANN DEAN: I think the example of cannabis is probably a really strong indicator of how government works with the NSLC in order to ensure that the implementation of a new product - as we look back to when cannabis was introduced, it's federally regulated, and the provinces had to determine how they were going to regulate it and distribute it within their own regimes, whether they were going to establish a whole new network or how they were going to ensure the safe sale of cannabis, which had just been legalized.

Consultations with NSLC around that were critical in the early days, so I would say that it is a good working relationship that enables us to look at where there might be new opportunities, and then how those could be handled, marketed, and distributed with an organization that we have, like the NSLC, that has strong experience in selling products that have restrictions around those and making sure that our minors don't receive them - so a socially responsible manner.

I would also say that we have the kind of relationship where if there are ideas and innovations that NSLC sees and wants to pursue, we discuss them and we determine whether or not it's something that the shareholder supports. I think in most cases, we have that kind of collaborative relationship that we can explore those together. The business plans, the rationality analysis that the NSLC does when they bring forward an idea - it's grounded in fact, and we're able to look at that and determine whether or not, as a shareholder and as a government, we think it's appropriate.

DANIELLE BARKHOUSE: On a side note, back in June, I was ID'd at the liquor store buying a bottle of wine. In all fairness, I was wearing sunglasses and a hat, so they are definitely doing their job. (Laughter) Can you give us an update on the progress toward outstanding recommendations? I would like to hear just a little more in-depth. That would be to Mr. Hughes, I think.

THE CHAIR: Mr. Hughes.

[10:00 a.m.]

GREG HUGHES: First of all, I'm glad you were ID'd. It's the oldest trick in the book with the sunglasses and the hat. Not our first time. In terms of your question around what's outstanding, we believe the ones that are still outstanding are going to be completed and closed quite quickly. Those, as mentioned earlier, just with a lot of discussion with other stakeholders outside of NSLC took some time, and there was a change in government since the original Auditor General report. Quite honestly, with a bit of the newness factor, the process was a little bit slower but certainly moving in the right direction.

DANIELLE BARKHOUSE: I am actually going to pass this on to MLA Young.

THE CHAIR: MLA Young.

NOLAN YOUNG: My question to Mr. Hughes - and perhaps I'll let you finish what you started before: What steps does NSLC take to ensure the responsible sale of cannabis in Nova Scotia and to ensure the products are kept out of the hands of minors?

GREG HUGHES: Very similar process as we have been discussing on the alcohol side of the business. The processes are the same - identical in terms of making sure that it is not sold to minors.

NOLAN YOUNG: How does NSLC work to address prevention and education relating to alcohol or cannabis addictions?

GREG HUGHES: I will pass this one over to Deputy Minister Dean.

THE CHAIR: Deputy Minister Dean.

KELLIANN DEAN: We work very closely with the Department of Education and Early Childhood Development, the Office of Mental Health and Addictions, and the Department of Health and Wellness to ensure that we do whatever we can to protect our youth and to ensure that these products are used responsibly.

There are education programs that have been developed, and I know the NSLC supports those and also plays a key role, because they are at the front face of the sale of those products. In addition to programming through schools and those sorts of things, we also have the strength of NSLC's programs at the front face where the products are sold.

THE CHAIR: Five minutes, MLA Young.

NOLAN YOUNG: To Mr. Hughes, just wondering if you could tell us about ways that you engage with customers for a satisfactory experience, and I'm interested to hear what kind of feedback you're hearing.

GREG HUGHES: We are very interactive with our customers on a regular basis. We do have what we'll call an advisory panel that people can volunteer and a lot of communication through surveys that we do online. There are thousands of Nova Scotians who participate in that. They're always open to tell us feedback.

I think the most important number I'm going to give you and one that we should be proud of as Nova Scotians, particularly from a retailing standpoint, is that in these surveys we ask them how happy they are. It fluctuates between 92 and 93 per cent who are extremely satisfied with the service they get and with the distribution model. We ask questions from every angle, because quite honestly, we need to stay relevant and we don't ever want to be put on cruise control.

If you know any retailers, those are world-class numbers. They would strive to hit those types of figures. The only time we've seen a bit of a dip was in - I can't remember which wave of COVID. We were restricted to having five people in our store at a time, which we managed. We dipped to 89 per cent satisfied, but I can tell you since then it's gone back up to the 92 to 93 per cent range. It's a model that, as Nova Scotians, we should be proud of; if that number was to slip, then we're doing something wrong.

NOLAN YOUNG: That's really good to know the feedback numbers. That's really high. I'm wondering: Perhaps you could tell us how you decide on what products NSLC will carry and sell.

GREG HUGHES: As I mentioned earlier, shoppers vote with their wallets, and we share insights with big and small vendors. So if you're a giant beer company, we would sit down with you a number of times throughout the year to compare insights and customer trends - not just in our own province, but in Canada and even throughout the U.S. and other parts of the world as well.

On the local side, it's more interaction in terms of what customers want with that local flair or twist to it. We're extremely transparent when it comes to what goes on our shelves, and I believe Mr. DiPersio mentioned it earlier. There's clear documentation of what goes on and how you get there, and there's also clear documentation if we are to remove products. And those are typically products that the customers are not interested in.

NOLAN YOUNG: We have a federal excise tax that's going to impact prices of NSLC's customers. I'm just wondering: How do you anticipate this excise tax will impact prices or the customers buying?

GREG HUGHES: I'll actually pass this to Caroline Duchesne.

THE CHAIR: Madam Duchesne.

CAROLINE DUCHESNE: We've had excise tax for many years, but the federal government started increasing that excise tax to the CPI rate in 2018. Every year, we would expect about what that CPI rate was. Last year, that CPI rate was much bigger than usual at 6.3 per cent, I think, and so the federal government decided to bring it back down to 2 per cent. Again, we change prices twice a year. Our expectation is for the federal government to follow the original rule and to increase to the CPI rate in April coming.

The calculation is based on the volume of alcohol in products that we have, that we sell. So if you take a regular beer, for example, at 6 per cent volume of alcohol, or spirits at 40 per cent, the impact of excise is . . .

THE CHAIR: Order. Sorry, Madam Duchesne, we've gone through the time for the PCs that was allotted. Now each caucus will have seven minutes, beginning with the Liberal caucus. MLA Maguire.

HON. BRENDAN MAGUIRE: When it comes to alcohol and alcoholism, Nova Scotia has the highest, or one of the highest - the latest stats showed the highest level of alcoholism in Canada, and the third-highest level of hospitalization due to alcoholism. The only two provinces and territories that are above the national average are the Northwest Territories and B.C. We clearly have a drinking problem-slash-issue here in Nova Scotia. While it's great to see how successful NSLC has been, and the amount of money that's being produced from NSLC, we do know that some of, if not a large portion of that money, is causing very serious damage to families and homes across Nova Scotia. I'd like to know specifically how much money from that profit is earmarked, not into general revenue, but is specifically earmarked for addictions and alcoholism treatment here in Nova Scotia.

KELLIANN DEAN: The NSLC profits are not earmarked in any particular way. They are sent into the general revenue fund, and from there decisions are made at budget around allocations so that we can ensure that money goes where it needs to go. The Office of Addictions and Mental Health is an important area of focus for this government. It was a newly formed department, and its budget is over \$300 million, so it exceeds the revenues of NSLC - well, the net profit of NSLC, I should be clear.

I want to say I understand the challenges profoundly. There are obvious issues related to addiction of many substances. Unfortunately, there are Nova Scotians who do need help. With the focus on this specific department, programs are being developed to try to provide the help those people need.

I would say that not earmarking it actually gives us the ability to invest more than the net profit of the NSLC and make sure Nova Scotians get the help they may need if they are addicted to harmful substances.

BRENDAN MAGUIRE: Respectfully, I will say that the cost of alcoholism and addiction in Nova Scotia is much higher than \$300 million per year. The Office of Mental

Health and Addictions may have a budget of \$300 million, but the cost in the justice system, community services, and health care is much higher than \$300 million a year. This is coming from someone who has been in a family that was broken up because of alcoholism, has been in many foster homes that have broken up because of alcoholism, whose family is rampant with alcoholism, and has seen the effects first-hand as, unfortunately, a large percentage of Nova Scotians have seen.

To say that it's not earmarked and that's a good thing, I wouldn't agree with that. I think some of that money could be earmarked on an education level to start really educating our children at a young age about the dangers of alcohol. We do it a little bit, but the numbers clearly show that, when it comes to alcohol, the message isn't getting through. When we talk to police officers and law enforcement officers, one of the most common things I hear from them is the amount of drinking and driving that goes on in Nova Scotia, in the urban core and in rural Nova Scotia. It's not just a rural issue. It's not just an urban issue. It's everywhere.

I saw some looks over there, but the area that I represent is pretty well split up into rural and urban. Sambro is as rural as you get, and Spryfield is as urban as it gets. I would say that, while we like to tap ourselves on the back and say we're doing some good things, I don't think we've gone far enough. You did say there are initiatives and programs out there - there are new initiatives and programs out there. Specifically what new programs are out there that are being funded that are battling the epidemic of alcoholism we have in this province? How much money is being spent?

We know a large amount of money is being spent to advertise alcohol in this province and to promote alcohol in this province. On the other side of it, what programs are out there that are doing harm reduction?

THE CHAIR: A minute and a half, Deputy Minister Dean.

KELLIANN DEAN: In no way would I want to minimize the seriousness of issues related to alcoholism in the province. I can get you some further information on that. I don't have those figures with me, but we can certainly follow up for you.

BRENDAN MAGUIRE: If you could table it and send that to the committee, that would be great. Obviously, it's one of those things where it's a balancing act. We want to be able to promote our amazing wine, alcohol, and spirits that we have here in Nova Scotia, but at the same time, alcohol is doing irreversible damage to our families and to our friends. I want to make sure that, while we're supporting the industry, at the same time the proper support is out there, and I actually think it's a failure from all parties that we don't properly support people whose families are falling apart because of alcoholism. A lot of times when it comes to addiction, we just act like it's their problem and not anyone else's.

That's it, Madam Chair. I'll leave it open. How many seconds?

[10:15 am]

THE CHAIR: Twenty.

BRENDAN MAGUIRE: If you want, 20 seconds . . .

THE CHAIR: Deputy Minister Dean, is there anything further you'd like to add? No? Then we'll move on to the NDP questioning with MLA Leblanc.

SUSAN LEBLANC: This has been a good discussion so far and lots of food for thought. I want to go back to a question on the agencies, boards, and commissions that we started with, because I don't know this, actually: Is it the Department of Finance and Treasury Board that does all of the recommending to the Executive Council, or is it various different departments, depending on what the board or agency or commission is?

KELLIANN DEAN: It's dependent on what applies to your department, so we would make the recommendations for the NSLC and any of the boards or commissions that we have oversight for. So it is department-specific.

SUSAN LEBLANC: I just want to go back to this idea that the minister is ultimately the person who signs off on the recommendation that comes to the HR Committee. That's like - and not with just this government, with any government - it's kind of inherently political, or it could be inherently politicized if it's the minister that makes the recommendations.

I'm wondering if - in your experience as Deputy Minister, or in your experience in this department, or if you've been in other departments - has there ever been a contemplation of when the minister gets to that point where there's the recommendation going forward, if they don't see the names of the candidates but only see the file of the candidate, has that ever been discussed? Because to me, as a member of the Public Accounts Committee, it seems like a good idea for democracy.

KELLIANN DEAN: In my experience, no, it hasn't been contemplated that the candidates would come forward unidentified. And I've been in many departments where we have had those experiences.

SUSAN LEBLANC: Another quick question I have is: The local campaign that Mr. DiPersio was talking about - I just want to get my head around this - why do the customers get to decide what's local? That seems a very subjective question. Because if I'm from Chéticamp, I'm going to be like, "Hyper local is like the brewery in Chéticamp," or if I'm from Ontario, I'm going to be like, "Canadian is local."

Is there not a set guideline of what Nova Scotia considers made in Nova Scotia? What's a local product?

DAVE DIPERSIO: It's a very good question, and I would say I sat in on one of the focus groups that we had with customers and also local industry members. We had producers in the province sit in on the focus groups to hear what our customers had to say. It's actually surprising the differences and nuances that come into play. For example, for wine, some people thought that if the grapes are grown in Nova Scotia, that makes it a Nova Scotia product, whereas for other consumers it was less of a difference. So there was actually buy-commodity beer.

There were different elements: Are you brewing in the province? Is your head office in the province? How many do you employ in the province?

So we talked about a lot of different elements to the customer, and they actually gave very divergent feedback, I'm going to say, by category. What they considered local actually did differ, depending on whether you were talking about wine, beer, or spirits. So that actually created some complexities to actually determine the criteria we're finally going to land on in terms of placing a product under that banner within the stores.

THE CHAIR: MLA Leblanc. Three minutes.

SUSAN LEBLANC: Are you looking at things other than the focus groups? Like, are you looking at best practice? Are you looking at environmental concerns - for instance, like how far something's being shipped, what the carbon footprint is, that kind of thing - when you're making the criteria?

DAVE DIPERSIO: The criteria are inherently going to be customer-driven criteria because we're a merchant - we're a retailer more than anything else. We want to make sure that if we're putting something on that banner, we want research to decide from the customer's perspective to dictate what should go into that. So it's primarily a customer-driven initiative.

SUSAN LEBLANC: Well, I just want to go on the record to say that I think a further look might be good. I appreciate listening to the customers, but I also think that, in terms of why we want to promote local purchasing and supporting local industry, there could be some objective criteria that could be paid attention to.

Speaking of local, I just want to ask one more question. I want to direct your attention - I'm sure you've seen this many times - the Craft Brewers Association, the 2020-21 update. One of their recommendations is the priority to issue this Retail Sales Markup Allocation. The craft brewers are suggesting and advocating for that RSMA to be eliminated or strongly reduced. They have talked about the fact - and the NSLC has confirmed - that the funds that are collected on that tax are not material to fulfilling the mandate of the NSLC. Yet if the funds weren't collected, they would make a huge difference to the local brewing industry in terms of expansion, employing more people, et cetera. I am wondering if this is being looked at and if you have any update of that.

THE CHAIR: Deputy Minister Dean.

KELLIANN DEAN: I will assure you, yes, it is being looked at, and yes, we've had meetings with the Craft Brewers Association of Nova Scotia as well, so we're aware of their concerns around the RSMA. I am going to ask Lilani to elaborate a little bit more on this one.

THE CHAIR: ADM Kumaranayake.

LILANI KUMARANAYAKE: Perfect. I just wanted to give a little bit of a background on the RSMA. The RSMA is charged when a local producer sells from their own manufacturing premises. It's 5 per cent in contrast to when they sell through the NSLC and the NSLC markup is used. From a policy perspective, that 5 per cent . . .

THE CHAIR: Order. Order. Sorry, we have now concluded the NDP questioning, and I will pass it over to MLA Young.

NOLAN YOUNG: Thank you, Madam Chair. Ms. Duchesne, could I let you finish your answer about the excise tax from before?

THE CHAIR: Madam Duchesne.

CAROLINE DUCHESNE: Certainly. Yes, so I was saying that the excise tax is applied on volume of alcohol. So obviously between a product at 6 per cent alcohol to 40 per cent, the impact would be different, but the percentage is only on the volume of alcohol. So if half a cent per volume of alcohol is applied on a product, the CPI rate is on top of that. It is very small. It's a small component of an overall cost. For a bottle of wine, it could be less than 10 cents, for example. I think I answered the question.

NOLAN YOUNG: Thank you very much. I will pass it off to my colleague, MLA Taggart.

THE CHAIR: MLA Taggart.

TOM TAGGART: Thank you, Chair. Last week, we heard from officials from the Office of Equity and Antiracism, and learned about Nova Scotia's commitment to becoming an accessible province by 2030. This is for the NSLC. Can you tell us about your accessibility plan, please?

THE CHAIR: Mr. Hughes.

GREG HUGHES: Yes, great question. We would be under the same umbrella of that program, so all of our premises will have to be to a certain standard. I can also tell you that we launched a diversity and inclusion program at the NSLC just over a year ago. We

also have people from the community who can participate in that as well. We have one gentleman who has actually worked with our in-house folks, going around to some of our stores to see if we are truly a leader when it comes to having a retail store that is accessible. We are taking it very seriously, and we will hit all the timelines that are mandated as well.

TOM TAGGART: Thank you very much. As well to NSLC: Can you tell us a little bit about career opportunities available at our NSLC stores, and the economic impact these stores have on our communities?

THE CHAIR: Mr. Hughes - four and a half minutes.

GREG HUGHES: We are one of Nova Scotia's largest employers, as I mentioned before, at 1,800-plus employees. I think it is a model that we can be proud of. We are in every community and, quite honestly, you become a community if you have a post office, a bank, and a liquor store. So we know how important that is in terms of access to our distribution of all our products.

TOM TAGGART: On that, can you tell us some more about your NSLC community fund, and how the NSLC supports charitable and nonprofit organizations?

GREG HUGHES: That's a great question. This is one that we're extremely proud of. We're basically an avenue or a venue that can obtain community funds. I'll give you some examples.

Last year, our source of funds at till, at our retail network, customers donated \$435,000. Our suppliers, our vendors, had donated just over \$450,000. The NSLC's part of that is about \$382,000.

I'll give you some examples of where those donations actually went. It's all very open and transparent. There's a committee that looks at this, so it takes any biases out. Of our employees' choice, the most passionate one of all is the IWK. Last year we raised \$500,000. I can tell you that this year - we just went through the campaign - we were a record high of \$685,000. Again, that comes from our customers and our vendors in terms of partnerships.

Other major donations that happened last fiscal year: Feed Nova Scotia was \$175,000; Make-a-Wish, which used to be Children's Wish, was \$45,000; MADD, Feed Nova Scotia, and Habitat for Humanity - there were \$311,000. Our community investment fund is \$140,000, and that just recently has impacted, in a positive way, 13 organizations.

TOM TAGGART: That's great stuff. Thank you very much for that. What does NSLC do to monitor their environmental footprint or their environmental impact?

GREG HUGHES: Great question. We take that very seriously. I can tell the committee that we are soon going to launch our next five-year strategic plan. You'll see even more focus around ESG, and in particular, under ESG, the environmental footprint.

We are in the business of selling cold beverages, so we have to look at unique ways to offset that. Recently, through our board, we are looking at alternative uses of energy, for example - again, to offset that footprint. We know our customers have a certain expectation when they walk into a store, but we need to make sure we evolve and challenge. Quite honestly, the next generation of NSLC customers want to know what's on our shelves and what that impact is. We need to stay current and evolve like everyone else.

THE CHAIR: MLA Taggart.

TOM TAGGART: How much?

THE CHAIR: Thirty seconds.

TOM TAGGART: How much of the annual revenue growth that we're seeing is driven by local product sales? What's your expectation for the future?

THE CHAIR: Mr. Hughes, 20 seconds.

GREG HUGHES: Twenty seconds. I won't be able to give you the breakdown in 20 seconds, but I do have the numbers.

THE CHAIR: Perhaps we will send a letter to you after the committee with any outstanding items, so you could include it in your response back. Thank you very much.

The time for questioning has elapsed. I would like to thank our witnesses for coming in today. Do we have any closing remarks? Deputy Minister Dean? Mr. Hughes?

Thank you very much. We will take a two-minute recess, allowing people to leave, and then we'll continue with committee business. Thank you.

We are in recess.

[10:29 a.m. The committee recessed.]

[10:31 a.m. The committee reconvened.]

THE CHAIR: Order. The committee is now back to order.

I'm just going to move some of our items around here to ensure that we actually have some topics for the meetings coming up. From the record of decision from the

September 20th subcommittee: members have been provided with the Record of Decision from the September 20th subcommittee meeting. At last week's meeting, the committee began discussions regarding the topic Canada-Nova Scotia Child Care Agreement: Programming Impacts to Date and Funding Impact to the Province's Finances.

The committee clarified the issue they wish to discuss and agreed that it is interested in both the Canada-Nova Scotia Canada-Wide Early Learning and Child Care Agreement, and the Canada-Nova Scotia Early Learning and Child Care Agreement. However, a motion was not made relating to selecting the topic or witnesses, so I will open the floor now for discussion.

MLA Young.

NOLAN YOUNG: I'd like to make a motion that the topic Canada-Nova Scotia Child Care Agreement: Programming Impacts to Date and Funding Impact to the Province's Finances with the witnesses being the deputy minister of Education and Early Childhood Development.

THE CHAIR: Any discussion? MLA Maguire.

HON. BRENDAN MAGUIRE: Can you just repeat what the topic was? What was the title of that topic again?

THE CHAIR: It is Canada-Nova Scotia Child Care Agreement: Programming Impacts to Date and Funding Impact to the Province's Finances.

MLA Maguire.

BRENDAN MAGUIRE: Would it be reasonable - because it's an impact to the province's finances - to ask for the Department of Finance and Treasury Board to be here too if we're discussing the finances? It literally says in the topic: Impact to the Province's Finances.

Would it be reasonable to have the deputy minister or somebody from the Department of Finance and Treasury Board to discuss the impact that these agreements have on their finances?

Obviously, it has a massive impact on the finances of the province because part of it is being covered by the federal government, so that's money that's not being spent on the provincial side. I'm just wondering. I think it would be fair to hear from the Department of Finance and Treasury Board to say, hey, this is the kind of impact it's having on our finances, considering it's in the title.

THE CHAIR: MLA Leblanc.

SUSAN LEBLANC: I just think that if we're going to have this as a topic, we also need to hear from the receivers of the funding. I think it's simply not enough and it's irresponsible of a Public Accounts Committee to only call representatives from the department.

The agreement literally is a funding agreement with organizations on the ground providing a service to Nova Scotians. Therefore, I would like to amend the motion and add a representative from Child Care Now Nova Scotia, a representative from the Association of Early Childhood Educators, and - this one I feel less strongly about - a representative from the federal department.

THE CHAIR: Now we have an amendment on the floor. Any discussion on the amendment?

MLA Maguire.

BRENDAN MAGUIRE: I think the last time we had a little bit of a discussion around this - and the same when we had a discussion around the climate change topic also - the opinion of the NDP was that we wanted to have stakeholders here, including the federal government who are massive stakeholders in this. They voted it down because essentially - I can't remember word-for-word what was said, but essentially it was like: we just want to keep the provincial witnesses, and we want to keep the government witnesses here. It was agreed upon by both the PC and the NDP.

Now with this topic it seems like kind of going with what they voted against last time. I would just say that in the spirit of co-operation, I think the witnesses that were put forward are good witnesses - let's vote on the main motion and get some topics here.

THE CHAIR: MLA Leblanc.

SUSAN LEBLANC: I forgot to mention in my comments when I made my amendment to the motion that I am taking those suggestions from the Record of Decision, which came from subcommittee. At subcommittee, it was agreed that those were important witnesses. It was voted on. I can say that because this is the Record of Decision. Now it appears that the government members are asking to deplete the list of witnesses.

Of course, we can't discuss the discussion we had in camera at the subcommittee, so if we are not going to add these witnesses, I want to hear a very good reason why we shouldn't have these folks at this committee meeting. (Interruptions)

THE CHAIR: No. There's more discussion. I do believe MLA Young would like to speak.

NOLAN YOUNG: Thank you, Chair. If you look historically at the function of the Public Accounts Committee, it is government witnesses and government departments - I guess with the exception of perhaps Crown corporations - that may come as witnesses. To have these external groups, I think it would be more fitting of other committees, but in order to look at the finances and spending, the department is the best witness to have.

THE CHAIR: MLA Leblanc.

SUSAN LEBLANC: Respectfully, Chair, that is fundamentally untrue. I have been on the Public Accounts Committee for several years. My colleague from the Liberal Party has been on it for much longer than me. I have literally just returned from a professional development conference where I sat with other public accounts committees from across the provinces and territories, and the federal government. It is not true that the only witnesses that are called, traditionally, are government witnesses.

I heard from several members of public accounts committees from across the country, and in fact, have heard from, on several occasions, the chair of the U.K. Public Accounts Committee, and that is not the way public accounts committees must function. This is not a partisan issue. If we are here to monitor government spending and to make sure that the public accounts are being spent in the way that they were meant to be spent, then we cannot only hear from the department that doles out the money.

We must hear from the government partners. Let us not forget that the government often talks about their community partners who are on the receiving end of that funding agreement to deliver services to Nova Scotians. I think if you asked any Nova Scotian with a stake in the child care system - that is, someone who has a child in the child care system, has just had a child in the child care system, or is about to have one - they would want to hear how that funding agreement is doing from the perspective of the people who care for their children. I think it is an affront to the people of Nova Scotia who are relying on this program to not hear from those people.

THE CHAIR: I will just say that while it is true that this committee is not a place where we are supposed to be focusing on policy, what we have heard over and over at successive Public Accounts Committee national conferences is that it can also focus on: Is the program meeting the stated goals? Is the money being spent appropriately?

So, there is room to bring in people who are not necessarily from government. Taking into account, if government has stated these are the goals, are they being met? Is the money being spent appropriately? I just want to make sure that people understand what's been said at these national conferences because not all of our members have had the opportunity to attend them.

MLA Young.

NOLAN YOUNG: With respect, if you look at the public accounts committees across the country and across the world, there are different traditions that are rooted into the way that each committee functions. I'm not disagreeing with MLA Leblanc regarding what parents want to hear are important topics. It's just the Public Accounts Committee is not the vehicle for those witnesses. I would almost like to see if maybe MLA Leblanc could table some of the external witnesses that would have been here historically in the Public Accounts Committee. I hear often, oh, there are lots of times there are non-government witnesses.

Just back to the point here, the government funds lots of organizations. They fund lots of groups. The best people to speak about the finances would be representatives within the Department of Education and Early Childhood Development. That's all I have.

THE CHAIR: MLA Lachance, then MLA Maguire.

LISA LACHANCE: I am a new member to the Public Accounts Committee. When I think about it, government doesn't act alone. The government doesn't act in a vacuum. This is a great example of that. In fact, the topic is not just finances; the topic is also programming impacts to date. In this specific case, I don't know how we could possibly understand how the program is doing without hearing from the partners who are actually implementing the program on the ground. It's not the Department of Education and Early Childhood Development that's actually implementing the programming under this agreement. To not have them here, I don't understand how we could really see how this program is doing.

THE CHAIR: MLA Maguire.

HON. BRENDAN MAGUIRE: I'm going to be quick because we need to have a vote on this so we can get some topics. The truth is, what I'm starting to realize after 10 years of being on this committee is that this isn't about gathering information and it's not about getting the right people in the room. It's about getting the right partisan people in the room and hearing what you want to hear.

The reason I say that is - again, one of the members talked about what has come out of subcommittee. But the truth is that some of the arguments that I made in subcommittee about who needs to be here, and why they needed to be here, were voted down by both parties because they didn't want those witnesses there because those witnesses may not have been favourable to their cause, and to the messaging they want. What I would say is this: We can sit here and argue all we want, but we need to get topics done. This is an important issue, especially around child care. Again, I would like to call the question.

THE CHAIR: MLA Barkhouse.

DANIELLE BARKHOUSE: MLAs have the opportunity to provide insight on policy through other mechanisms, like the Law Amendments Committee and Question Period. The House is soon going to sit. That gives you ample opportunity. I want to call the question as well.

THE CHAIR: I will just note that the House sat for 13 days in the Spring. That is not adequate time. I will just say that as the Chair. MLA Leblanc, I do want to make sure we do get some topics. MLA Leblanc.

SUSAN LEBLANC: My final comment is that fundamentally my request - my amendment to this motion - has nothing to do with policy. Policy is what's decided at the department and Executive Council, and then we as the Public Accounts Committee see if the money is being spent according to policy. Having folks from Child Care Now Nova Scotia or the Association of Early Childhood Educators has nothing to do with me wanting to put forward policy to the people of Nova Scotia. It is to ask those people whether or not the funding agreement is working for them. End of story. It has nothing to do with policy implementation. Fine, call the question. I will vote. I will vote for my amendment. It will get voted down, and then we'll move on. Great debate.

THE CHAIR: We will now have the vote on the amendment, which is in addition to the deputy minister of Education and Early Childhood Development on this topic: Canada-Nova Scotia Child Care Agreement: Programming Impacts to Date and Funding Impact to the Province's Finances. We would also add a representative from Child Care Now Nova Scotia, a representative from the Association of Early Childhood Educators, and a representative from the federal government plan.

All those in favour? Contrary minded? Thank you.

The motion is defeated.

We now move on to the motion made by MLA Young, which was for the same topic but to hear from the deputy minister of Education and Early Childhood Development. Any discussion?

MLA Maguire.

BRENDAN MAGUIRE: Is there any appetite from the government side - because obviously we need a unanimous vote on this - instead of putting a motion forward to bring in someone from the Department of Finance and Treasury Board - to actually have a discussion about the impact that this agreement, which is hundreds of millions of dollars of provincial tax money, has on the finances of the province as is stated in the title of the actual topic?

[10:45 a.m.]

THE CHAIR: Any discussion? I'm not seeing any discussion, so I'm going to call the question now. MLA Taggart, would you like to discuss something?

TOM TAGGART: A two-minute recess.

THE CHAIR: You can have a two-minute recess.

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

[10:48 a.m. The committee reconvened.]

THE CHAIR: The committee is now back from recess.

Any further discussion?

All those in favour? Contrary minded? Thank you.

The motion is carried.

We have another topic.

Now, we will move on to the Record of Decision from October 4th. The motion was left on the floor at last week's meeting for the topic Climate Change Adaptation: EMO Funding and Preparedness for Emergency Disasters in Nova Scotia, Output-based Pricing Systems for Industry. The following witnesses would be called: the executive director of EMO, the deputy minister of Municipal Affairs and Housing, the deputy minister of Environment and Climate Change, and the deputy minister of Public Works. That was moved by MLA Young.

I will open the floor to discussion. MLA Maguire.

HON. BRENDAN MAGUIRE: It's important that we have a whole discussion around climate change and the impact on the EMO and Nova Scotians, obviously. We do know that when the witnesses are here, the government's going to continue to talk about the carbon tax repeatedly and the negotiation of the carbon tax.

I would like to put a motion on the floor because, again, we need to have a full, honest, transparent discussion around all of this, so all our questions are answered on the finances of this province. One of the things that is directly impacting the finances of this province is carbon tax.

I would ask that somebody - a representative from the PMO and/or the Department of Environment and Climate Change - be present.

THE CHAIR: Do you mean the federal department?

BRENDAN MAGUIRE: Federal government, yes - the Department of Environment and Climate Change - be present either here in person or via Zoom to have this discussion around carbon tax, because inevitably this is what is going to happen, and the impact it is having on the public finances of this province.

THE CHAIR: I just want to clarify your motion: Is it an amendment to this particular one?

BRENDAN MAGUIRE: Yes.

THE CHAIR: You want to add . . .

BRENDAN MAGUIRE: Two witnesses.

THE CHAIR: . . . federal representation. Any discussion on the amendment?

Would all those in favour of the motion please say . . . (Interruption) Okay, we're going to have a recorded vote on this particular amendment.

I will ask the Clerk to call the roll.

MLA Barkhouse.

DANIELLE BARKHOUSE: I'm sorry. I was just thinking out loud. It's "no," but I think we should have called a recess before we do this.

THE CHAIR: Are you voting "yes" or are you voting "no"?

DANIELLE BARKHOUSE: What are we on? Are we on the amendment or are we on the . . .

THE CHAIR: As I indicated, we're on the amendment. You said you were voting "no."

DANIELLE BARKHOUSE: No, sorry.

The Clerk called the roll.

YEAS**NAYS**

Hon. Brendan Maguire
Lisa Lachance
Susan Leblanc

Danielle Barkhouse

MELISSA SHEEHY-RICHARD: I'm so lost, I honestly don't know what we're voting on.

THE CLERK: The amendment to add a representative from the PMO and a representative from the federal Department of Environment and Climate Change.

The Clerk continued to call the roll.

YEAS**NAYS**

Ms. Regan

Ms. Sheehy-Richard
Mr. MacDonald
Mr. Taggart
Mr. Young

THE CLERK: 4 yes, 5 no.

THE CHAIR: The amendment is defeated.

We will now move on to the motion that was previously moved by Mr. Young, which was to have the executive director of the PMO, deputy minister of Municipal Affairs and Housing, deputy minister of Environment and Climate Change, executive director of the Climate Change Division of the Department of Environment and Climate Change - wait. Oh, sorry, my apologies.

A motion was left on last week's meeting for the topic Climate Change Adaptation: EMO Funding and Preparedness for Emergency Disasters in Nova Scotia, Output-based Pricing Systems for Industry, that the following witnesses be called: executive director of EMO, deputy minister of Municipal Affairs and Housing, deputy minister of Environment and Climate Change, and deputy minister of Public Works. Any further discussion?

All those in favour? Contrary minded? Thank you.

The motion is carried.

Now we're going to move on. MLA Young.

NOLAN YOUNG: Chair, I'd like to make a motion. I move the topic of the Heating Assistance Rebate Program - HARP - with the witnesses, Service Nova Scotia and Internal Services, deputy minister or appropriate representatives.

THE CHAIR: I think you have that in your package there. It would be the second one. It's what is listed there; Service Nova Scotia, Internal Services, deputy minister and appropriate representatives, in reference to the Heating Assistance Rebate Program. MLA Maguire.

BRENDAN MAGUIRE: I'm going to be a little bit of a stickler. I'm going to use the Vice Chair's words against him for a moment here, if he doesn't mind. In the past, when we've said, "appropriate witnesses," the Vice Chair has been a stickler on that term - or the surprise guests, I'll say.

I would ask that the government clean up the witness list and specify who is going to be here, as per their own recommendations to us when we put forward witnesses. One of the first things that the Vice Chair says is, "appropriate witnesses." I'm not trying to pick a fight, but he has been very particular on who, the position, and where, so I would say what's good for the goose is good for the gander.

THE CHAIR: MLA Young.

NOLAN YOUNG: The deputy minister would know the best people within the department to speak to this topic, so I will leave it as is.

THE CHAIR: Any further discussion?

All those in favour? Contrary minded? Thank you.

The motion is carried.

THE CHAIR: Then we had one more topic that came out of subcommittee, Capital District Health Infrastructure Projects, with witnesses being Department of Public Works, deputy minister; deputy minister of Finance and Treasury Board; and deputy minister of Health and Wellness.

MLA Young.

NOLAN YOUNG: The function of subcommittees is to submit topics and then the topics would be chosen from the submissions for the upcoming meetings. As this was an additional topic, I move that we table this topic to a future date - an agenda-setting date - for consideration. I am tabling it for consideration at the next agenda-setting meeting.

THE CHAIR: MLA Lachance, I think you have something you would like to say.

LISA LACHANCE: I am one of the newest members of the committee, but one of the things that really struck me is that we hadn't put anything on the forward agenda to do with health and as we know, this is the focus of this government and a critical issue for the people of Nova Scotia.

I do feel that this is really not a surprise nor controversial nor a hard topic to bring forward to think about - to see where the health care fix is at. Really, with all due respect to the Vice Chair's concerns about process, I do feel like they're not particularly consistent and certainly this shouldn't be a surprise. We've already discussed it and I really feel like we should bring this topic forward.

THE CHAIR: MLA Maguire.

HON. BRENDAN MAGUIRE: I think that the topic should come forward, but I will say again that if we're looking for consistency in this committee then we have to follow specific rules. This goes back to - you know, we had individuals come in here for weeks on end talking about a path forward. We should not be in this process week after week after week where we are bringing topics forward, witnesses forward, this and that forward, and it's all just a mish-mash of things.

We had experts sit here for weeks on end and tell us how this committee should properly function and yet we have yet to pass those guidelines, those rules and regulations. I would say that if the government and the Opposition want to get past all this stuff, then maybe at our next meeting we bring forward the path forward and we actually have a fulsome discussion about it and vote it in so that we don't have to do this time and time again and waste valuable time.

THE CHAIR: Order. Order. Time for the committee has elapsed.

Just so folks know, our next meeting is next week - and it will be in camera - October 18th. The Office of the Auditor General, a pre-hearing briefing re student housing needs and investments in affordable housing programming.

The meeting is adjourned. Thank you, everyone.

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