STANDING COMMITTEE

ON

ECONOMIC DEVELOPMENT

ANNUAL REPORT

November 2000

Hon. Murray Scott
Speaker
House of Assembly
Province House
Halifax, Nova Scotia

Dear Mr. Speaker:

On behalf of the Standing Committee on Economic Development, I am pleased to submit the 1999 / 2000 Report of the Committee for the First Session of the Fifty-Eighth General Assembly.

Respectively submitted,

Brooke Taylor, MLA
(Colchester - Musquodoboit Valley
Chairman
Standing Committee on Economic Development

Halifax, Nova Scotia
2000

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Foreword

The report of the Standing Committee on Economic Development was written in accordance to the mandate of the committee categorizing specific topics of interest under the Departments and Ministers to which the Standing Committee can consider.

The report is written under individualized headings outlining the concerns and issues brought forth from each group /organization.

Mandate

> For greater certainty, the Economic Development Committee is established for the purpose of considering matters normally assigned to or within the purview of the Department of Economic Development and the Minister responsible for the Department and the Department and Minister of Transportation and Public Works and matters relating to the Technology and Science Secretariat. (1987 R. 60(2); am. 1993; am. 1996)

DEPARTMENT OF ECONOMIC DEVELOPMENT

Nova Scotia Business Development Corporation

The Nova Scotia Business Development Corporation is mandated to encourage business development in Nova Scotia; to promote business growth and employment opportunities by rendering financial aid and other assistance to businesses.

The Department of Economic Development provides the administrative responsibility for both the Business Development and Industrial Expansion Funds. The Executive Council appoints the board of directors and provides the Department of Finance with an annual statutory capital budget. From that budget the Nova Scotia Business Development Corporate Fund is obtained. The fund is administered by the Board of Directors who, in addition to providing loans, guarantees, etc., also manages the Provinces industrial parks. Money is lent after the Minister of Economic Development has approved it; if the loan is more than $1 million it is approved by the Executive Council. When the money is repaid the principal and interest payments goes directly back to the Department of Finance.

The Industrial Expansion Fund allocations, although administered by the Business Development Corporation staff on behalf of the Executive Council, are decided only by the Executive Council. The money is advanced to the fund, Executive Council decides where it is to go, and as it is repaid, it goes back into the statutory capital budget.

<u>Funding Allocations</u>

Each year the province receives about $20 million in tax revenue, with spin-off tax revenue of $24 million. The expenses, the interest costs of the total portfolio, is about $14 million per year. That is what it costs the Province to borrow that money to give to the BDC. The BDC spends about $1.6 million per year for salaries, expenses etc, with write-offs of about $4.6 million, for a total expense of $20 million per year. The annual return to the Province on these expenses is $33 million per year.

The BDC helps provide financial assistance in areas of the Province where businesses cannot access any other financial aid. The Business Development Corporation has a portfolio of $255 million and the Industrial Expansion Fund has over $300 million in assets represented by 50 accounts. The social, economic or policy incentives constitute a significant variable. These funds support 7,700 direct jobs - with about 10,000 spin-off jobs - providing wages of $319 million. Eight thousand of these jobs are outside Halifax and account for 20 per cent of all manufacturing jobs in the Province. The companies sell about $2.2 billion per year. The BDC lends out $30 million, and receives $21 million in principle back on average with interest of $9 million. As for write-offs, a total of $32 million has been written off by the Corporation since 1993; this equals about $4.6 million per year.

Between the two accounts (funds) there is $3.4 billion of sales, and the incremental tax revenue of all these wages and salaries is another $65 million. This nets the Province, in total, about $100 million per year.

Clientele

The BDC provides interest-bearing loans secured by physical assets. They also guarantee lines of credit from chartered banks and also, at times, become involved in preferred or common shares or other flexible debt instruments. The financial assistance is spread all throughout the Province. Ninety per cent of it is outside metro Halifax, as there is very little opportunity to obtain financing in rural Nova Scotia in any other way. Most of BDC clients cannot get financing through other commercial lenders due to lack of liquidity, security and the location of the business. A lot of clients have specialized equipment with limited re-sale value, and/or have limited working capital and cannot afford to do it on their own.

BDC's core clients are in the manufacturing, processing and tourism businesses. Ineligible businesses would be private clubs; residential properties; lending & insurance agencies; construction agencies, retail; wholesale; businesses owned by non-residents who are not registered in Nova Scotia; and businesses that are ineligible for financial assistance from either the Fisheries, Farm, or Timber Loan Boards.

Loan Criteria Process

When BDC receives an application for assistance they check with banks, ACOA and other lending agencies to see if the applicant is getting other financial assistance. Once a client completes an application, the BDC does a background check on the company looking at the ownership and management structure, ensuring the company has the required management skills. They look at the products and services the company will be providing and the impact this will have on the Province, the security of the business, what value it would bring in the event of a write-off, the financial statements and a whole host of other details. The staff then gives the project a positive or a negative recommendation. If positive, it then goes to the Board of Directors, who either decides in favour of it or not. From the Board it is then forwarded to the Minister of Economic Development for approval or rejection. If the project is over $1 million, it then goes forward to the Executive Council and they too can approve or reject the project.

Venture Capital

The Business Development Corporation does not see itself as a lender to venture capital funds, although they do have a number of files in the knowledge-based industry. The BDC sees itself as traditional term lenders. With Information Technology and knowledge-based businesses there are very few tangible assets to take as security. As quoted, "if these technically brilliant inexperienced people walk; the business walks."

Atlantic Canada Opportunities Agency

The Atlantic Canada Opportunities Agency has its head office in Moncton, NB, and is located within five regions of the four Atlantic Provinces. ACOA has offices on both the mainland and on Cape Breton Island. There it is known as Enterprise Cape Breton Corporation, which is responsible for economic development from the federal perspective on the Island. ECBC is an independent organization although it is a federal crown corporation, and is separate from ACOA. However, the main commercial program delivered in Cape Breton is the same as that delivered on the mainland; and that is the Business Development Program which was launched in 1995. It is the successor to the ACOA Action Program which had been in place from 1988 to 1995.

Funding Allocations

By program terms and conditions, ACOA cannot participate in a project that is larger than $20 million. Their operational maximum BDP assistance, at present is $500,000. Some of the attributes of their financing is that it is interest-free and it has a repayment term that generally ranges over a one to ten year period.

ACOA's financing is unsecured. They do not take security for their funding/financing, however there is one small qualification and that is in the event of a failure of a project, they have a priority position on any investment tax credits or other taxes collected by Revenue Canada. ACOA can offer up to 50 per cent of the eligible capital costs or up to 75 per cent of the development and innovation costs.

The agency had approved 354 projects for assistance of approximately $42 million with total investment in all those projects in the area of $145 million. This includes 80 per cent of the $42 million as commercial financing and the other 20 per cent for non-commercial financing. Of the 354 approvals, there was approximately $14.5 million approved to Cape Breton, and $27.4 million approved on the mainland.

Clientele

ACOA can participate financially with any type of commercial client as long as it is a for-profit entity; proprietorships, partnerships, cooperatives, corporations, etc. They also participate and do certain non-commercial funding and get involved with organizations such as societies, universities, and municipalities; generally in non-commercial activities but related to business support.

ACOA has a significant sectoral focus and support clients in both traditional and emerging sectors. They are heavily involved in the area of information technology and knowledge-based industries and have a significant number of clients in research and development, manufacturing and processing, tourism, agriculture and business services. With regard to other commercial industries the Agency cannot participate in retail, wholesale, personal or government services.

When ACOA is delivering the BDP program to commercial operations, they are looking with a primary interest to supporting the strategic priorities they are in pursuit of, and those strategic priorities are entrepreneurship and skills development, trade investment and tourism, and innovations and technology. More specifically, the program itself, the financial support they can offer under the BDP program, support projects that are intended to improve competitiveness. That is support for long-term marketing initiatives, attainment of ISO quality certification, etc. The Agency can also participate with firms or individuals that can move into the area of innovation or product development.

ACOA is mostly known for their direct capital support for start-ups, expansions and modernizations; the realm of financing and funding assistance for productive machinery and equipment acquisitions; and for the support for real estate construction and building construction. They cannot participate in acquisitions, mergers, refinancing or restructuring.

Criteria

How ACOA approaches the evaluation and assessment of a project is dependent upon three primary criteria: viability, need and benefit. ACOA looks at all the traditional areas of management, ownership, product, services, market, financing, working capital, operations, and historic and forecast operations in reaching their assessment of the viability of a proposal. Next is the economic benefit. This translates into two things; one being job creation, and secondly the absence of significant adverse impact on an existing operator. There is little benefit for the Agency to support a project that is going to have an immediate impact of the decline of another firm located in the area. ACOA also looks at the export potential as a significant benefit for the Province, the incrementality of a project, the need and the benefits.

ACOA only participates if the project would not proceed without financial assistance. ACOA's financing is to enable a firm to undertake a project or a marketing initiative. Their evaluation is virtually a continuum with the size of the project determining the depth of assessment looking at the issues of management, marketing and financing.

Venture Capital

In Atlantic Canada the access to capital is much more difficult than it is in other regions. Specifically on the technology and the knowledge-based industries, that is recognized as a much more difficult area to obtain traditional financing because of the absence of any type of security. The mobility of the security is oftentimes in the capability of the people who are running the organization. If the organization fails and the people move, then the asset value of the operation is gone. In those areas of information technology and knowledge-based industries the only financing in the project may be ACOA, with unsecured, interest-free financing and equity funding, where it may just virtually be impossible to get commercial lending/term loans.

Fuel and Oil Increases

There are approximately 87 retailers located within 157 locations throughout Nova Scotia. Home heating oil is marketed and distributed by five large integrated companies, together with 82 small independent operators. Oil accounts for approximately 59 per cent of the homes in Nova Scotia; electricity and wood is 19 per cent; and others such as solar, et. al., is approximately 3 per cent.

Price Increments

Wholesale prices increase sharply due to the response in global market conditions which almost instantaneously impact the local rack or wholesale price. This then causes retailers to pass some of these increases on to their customers. Wholesale prices are determined by the global market for petroleum products, as producers and refiners maximize their returns for shareholders. In general, retailers make less per litre in a rising market such as had recently been experienced.

The price of crude oil increased from $11 per barrel, to over $30 per barrel between February 1999 and February 2000. It is important to note that an increase of $1 U.S. per barrel in crude oil is usually equivalent to about $.01 cents per litre Canadian. This increase in demand will cause the spot-price to double.

Most heating oil distributors try to get the lowest price possible, however big utility companies will take any price offered to them, which eventually results in increased oil prices. During the recent increases, as prices rose, places that could quickly supply the New England Market saw an opportunity to raise prices. The refinery margins went from $2.98 a barrel to $12.34 a barrel in six days. The shortages were real and they existed because product flowed out of the Maritimes and into the New England market.

Wholesale prices locally rocketed from 29.3 cents per litre to 41.4 cents per litre in 11 days. At that time there was a new supply and lowered offshore prices, which resulted in the rack price falling to 32.1 cents [31.1 cents in certain areas]. Retail prices were falling from 52.9 cents to 47.9 cents.

Taxation

Heating oil was first taxed by the introduction of the GST in 1991 and the HST in 1997. From a financial point of view there is quite a variance of petroleum pricing. Tax decisions are part of each country's overall tax policy but, by comparison, prices are much higher in Europe. There have been many reasons given for the increases, one being prices have been depressed for about two years at a fairly low level. Second and more recently, the sudden spike has been attributed to a sudden cold temperature in Northeastern North America, in particular a shortage of supply there.

Locally a comparison of gasoline prices as of March 1999 and February 2000 show the difference in the various components of price including the Provincial and Federal Government's share. The federal excise tax is $0.10 cents per litre, it does not vary with the price of fuel. The provincial fuel tax is 13.5 cents per litre and that does not vary on the price of fuel. HST is a value-added tax and an ad valorem tax which is based on the selling price of the product. Of the 2.7 cent charge between March and February, 1.3 cents will go to the federal government as GST and 1.4 cents will go to the Province. As for home heating oil, for the year 1998-99 the provincial ad valorem taxes ranged from a low of 2.6 cents to a high of 4 cents.

Nova Scotia revenues were neutral to slightly positive at that time, however if high fuel prices continue, there will be an impact on provincial revenues as people institute conservation measures. The provincial fuel tax is a fixed $0.13 cents per litre and the HST is based on the selling price. For every litre that is not purchased there is a fixed $0.13 cents that is not returned to the Province. Therefore high fuel prices can have a detrimental effect in the long run on provincial revenues.

> **"It is the view of the Canadian Oil Heat Association that taxation is a government issue for governments to decide; however, COHA believes that any tax policy that is going to be implemented must not favor one form of home heating fuel over another. If it is going to be taxed they [fuels and alternatives] should all be taxed equally".**

Regulations

In terms of regulating the price, what portion of the total price is in fact controlled. OPEC nations give a preferential rate on crude oil; financially there is $0.33 cents in taxes that cannot be regulated, therefore all that remains to be regulated is $0.10 cents out. Would it be beneficial to put a big government infrastructure in over that $0.10 cents or more beneficial to enact laws which would enhance competition and lower that $0.10 cents to $0.08 or $0.09 cents.

When the competitive race was down to record low prices of $0.29 cents per litre, that competition was in the best interests of the Nova Scotia consumer. Fuel regulations in Nova Scotia showed the wholesale to retail spread to be around 14 to 17 cents a litre. That was what the regulator felt the appropriate margin was to conduct business in Nova Scotia. At present it is less than half of what the regulated market had originally been given. The reason for a lot of increase in pump prices is that is has been backfilled with taxes. The pump price today of 71.9 cents a litre shows the wholesale to retail spread to be less than $0.07 cents a litre.

Consumer Protection

Consumers can protect themselves from these spikes by establishing an automatic delivery schedule to ensure a secure and reliable supply of heating oil and using an affordable budget plan to protect themselves by spreading out the effect of any increases over a monthly period. Most oil heat dealers have a cash amount or a litre minimum requirement before they will deliver oil because it is not economical for them to travel great distances to deliver small amounts of furnace oil to customers. However, there are dealers who will do smaller deliveries and people should try to seek these out if they are in that type of situation.

The Canadian Oil Heat Association is working in conjunction with the Nova Scotia Power - Salvation Army Good Neighbour Program to help people who are in lower incomes so that when spikes like this recent event happen again, these people will be able to get some sort of financial relief through this program.

Concerns surrounding issues regarding fuel prices are many, especially the effects to the senior community. Costs to seniors are harder to bear than in other sectors because of fixed incomes and not being able to provide any extra monies to cover increased costs. The immediate effect of the high fuel prices is the cost of electricity, transportation, food, etc.

It must be recognized that the choices seniors must make between warmth and food could prove to be a real health problem for governments. As seniors nutrition deteriorates, they will become ill, forced into hospitals thereby escalating health costs as well as the costs to the Department of Community Services. Protection costs will escalate resulting in reduced patrol activities thus providing less security for seniors.

The Canadian Pensioners Concerned state that the effects will also be felt in the volunteer sector at all levels. Seniors make up approximately 70 per cent of volunteers in Canada. Many programs will suffer across the age continuum if seniors cannot continue to volunteer, i.e. Care givers, Meals on Wheels Programs, Programs in Senior Centres, etc..

Seniors realize that the problem has been created by oil producing countries, however they would expect the provincial government to

> **"Make representation to the federal government to implement relief measures in various sectors to control the upward spiraling prices of consumer goods and services. If the government cannot control fuel prices, they can at least provide relief in some measure to their citizens".**

This is a global problem, it is not unique. In the previous year Nova Scotians enjoyed the lowest fuel oil prices in 10 years. Regulations are not the answer, and competition is in the best interest of Nova Scotians.

Grape Growers Association of Nova Scotia

The Grape Growers Association of Nova Scotia had brought forth several issues they feel are discouraging people from getting into the farm winery business. Over 80 per cent of the grape crop in Nova Scotia goes into wine production (20 per cent goes to sweet grape juice and table grapes for consumption). The grape industry is very heavily tied to the wine industry in this Province.

<u>Issues</u>

The monitoring of the required Nova Scotia grape content in the farmland policy. The farmland policy shows the required percentage of grape content each year up until 2006.

> **"There must be a system in place to properly monitor and ensure that this content is met".**

The current membership of the Farm Winery Policy Monitoring Committee. The members should be changed to better represent expertise in the industry.

> **"There should be a member from the grape growing industry on this committee to represent the interests of the industry so all interested parties are represented".**

At the time, the Association felt that the farm wine policy should be looked at a little closer because in the beginning the Nova Scotia industry did not grow enough grapes to supply all the wineries in the Province so there was an allowance that wineries could import foreign grapes and grape concentrate/juices to make wine for three years; to get them going until the industry could supply them with sufficient materials to make their wines. This did not happen, there are wineries that use more foreign grape concentrate than local grapes to make their wines and that is not what the industry was intended to support. The Association applied for a review of this policy, however there was no action taken on it.

> **"This committee must be reactivated to make sure that everything that has taken place in the past is under control because there is the need for strict guidelines in the industry, and to have the content rules looked at very closely by the Association".**

The renewal process that is currently in place for annual renewals of permits for farm wineries. There is a lot of repetitive paperwork every year from the Nova Scotia Liquor Commission.

> **"It should be streamlined and possibly make it a lot easier for the farm wineries and the Liquor Commission reducing expenses on all sides".**

Direct deliveries by wineries to licensees. The current system that is in place is very expensive and difficult for the smaller wineries to make it economically feasible to run a sales representative and a delivery vehicle to the same route every time. They need one person to make the sales call and someone else to make the delivery, and the person doing the delivery is not permitted to do any type of promotion of the winery. A restauranteur can purchase directly at the farm winery and transport it themselves back to the restaurant, but the registered sales representative nor the winery can deliver to the restaurant.

Registered representatives cannot provide samples to licensees and their staff in restaurants. It is very difficult to promote in a restaurant if representatives cannot take a sample in to let the staff try.

> **"Education of the restaurant staff and the managers is very important to promote provincial wines".**

Currently the Liquor Control Act requires that a plebiscite must be held in order for a farm winery to become established in an area, and sell on-site if the area is dry. Past experiences have shown that the voter turnout is very low. Only about 10 - 15 per cent. Most people do not understand why such a plebiscite is even required, they cannot believe that there is still such a regulation in place for something like that, and the question that is asked on the ballot is very confusing to them.

> **"If it is felt that a plebiscite is required, the question that is asked should be examined to better reflect the actual situation that is being voted on".**

The possibility of establishing small farm distilleries in conjunction with farm wineries. For example in European distilleries they use what are considered by-products of the wine making process to add value; in Nova Scotia the pressings from grapes are disposed of in an organic matter.

> **"It would be very interesting for farm wineries to have distilleries on-site. It would be a great tourist attraction and would increase the product line the wineries would be able to offer".**

Regulations / Guidelines

The wine industry in Nova Scotia is really quite young, beginning in 1981 with five acres. Since that time, the farm wine policy that was introduced has helped in the growth of the industry. Presently there are several farm wineries, with a new one coming on stream in June, and other grape growers who are becoming interested in small farm wine policy.

Nova Scotia has the potential to grow at least 2,000 to 3,000 acres of grapes, however with the regulations that are now in place, it is very difficult for the small growers to establish themselves and go that route. Alleviating some of the regulations may motivate more people to go into the business.

In comparison, the Ontario wine industry began to grow in the same way as the Nova Scotia industry and they (Ontario) were able to increase their product by putting in strict regulations on the growth of grapes and the use of those grapes in Ontario products. Today Ontario has an industry that generates $60 million a year.

The potential is there and it will take careful tending of the public perception of what is there. More and more people are interested in growing grapes. There is a lot of land that is suitable for this type of crop, especially in the Annapolis Valley area. Soils are not very important to grapes; they are adaptable to almost anything. Grapes do well in every type of soil as long as there is sufficient nutrient levels, adequate water in the summer and drainage of excess water in the spring.

The industry in Canada is going to grow at a tremendous rate. The national farm wine regulations being brought into place, and the wine standards that will be imposed across the country will require more true labeling of wine bottles. Some of these changes that are being proposed will help in terms of easing the introduction of new growers and new wineries into the system.

The revision of the guidelines or the procedures for the farm wine policy was to impose a requirement on the farm wineries to have a certain per cent of Nova Scotia grapes in their products. It took about four or five years to finally produce these regulations/guidelines, and in 1998, the percentage number that the wineries accepted was 35 per cent of the content with an incremental increase each year of five per cent. Wineries could accept that in terms of content and not affect their sales or decrease their volume. By the year 2006, the requirement will be 75 per cent of the product (at present the industry is at 45 per cent). When the national standard comes into effect, higher standards (percentages) will be imposed.

The concerns that were mentioned must all be addressed in order for the grape industry to grow in Nova Scotia. The entire Liquor Control Act should also be examined and updated to comply with today's industry practices, and to be more conducive to economic growth in the alcoholic beverage manufacturing industry.

At this time the Standing Committee on Economic Development passed several motions to:

> **Write to the Minister responsible for the Liquor Control Act stating, the Standing Committee on Economic Development recommends that an industry member be included in the composition of the Farm Winery Policy Monitoring Committee.**

and that

> **The Alcohol and Gaming Authority review the regulations made in regard to the farm winery policy, and that input and participation by the Grape Growers Association of Nova Scotia be included in this review.**

In response to the above motions, the Standing Committee had received notice that the majority of these concerns are related to the Farm and /or Cottage Winery regulations and policies administered by the Nova Scotia Liquor Commission, although a few of these concerns are directly related to the regulations and policies of the Alcohol and Gaming Authority.

> **"The monitoring of the Nova Scotia grape content in farm winery production will require the NSLC to address developing a database by an independent person; the Farm Winery Policy Monitoring Committee Members will require input of government departments involved and the NSLC; annual renewal of farm winery permits by the Nova Scotia Liquor Commission will require input by the NSLC; direct delivery by farm wineries to licensees will require input of the NSLC. The Alcohol and Gaming Authority would respond positively should the decision allow for representatives to deliver products; registered representatives providing samples to licensees, representatives have met with staff members of AGA and have been provided with a method by which their request could be permitted; the plebiscite question requires NSLC input for any amendments deemed necessary as this item is initiated by NSLC; and as for the Farm Distillery, this request requires input from the NSLC".**

DEPARTMENT OF TRANSPORTATION AND PUBLIC WORKS

Truckers Association of Nova Scotia

The Truckers Association of Nova Scotia has a database of approximately 900 members in 21 separate associations, including the vast majority living in rural communities. Their goal is to provide a fair and equitable system of dispatching trucks on tendered construction road work in compliance with Manual 23 of the Department of Transportations' fair hiring policy (early 1920's). This policy contains a clause known as the 80/20 rule which stipulates that any contractor awarded a tender must employ 80 per cent of local Association trucks in their contract.

Nova Scotia Truckers Association members are required to maintain complete compliance with provincial rules and regulations in order to haul on government tendered work. Each member must be certified through the Nova Scotia Construction Safety Association or the Nova Scotia Trucking Safety Association, and be in good standing with the Workers' Compensation Board.

<u>80/20 Rule</u>

In the report of the Auditor General it states, "the hiring of trucks for road construction and maintenance does not comply with the spirit of the governments' procurement policy and results in higher costs to the department". The report continues to state, "the rates paid to the members of the Truckers Association of Nova Scotia are above market rates, and in our view, represent a subsidy from government to truckers". According to TANS there is no formal value on what they have done, on the contrary, this rule has been in effect for many years and represent the fairness in the industry, it is not a subsidy.

The Auditor Generals' report explains that the concept of the 80/20 rule and the costs have escalated due to the agreement. However TANS states, this report does not mention the fact that the trucking industry also includes major trucking companies that are able to undercut the existing and already low rates by using construction vehicles to offset their own trucking industry.

Another major concern in this report is the significant amount of administration required by the Department to address the 80/20 rule. Monthly meetings are held to assist in maintaining the fairness of the 80/20 ruling. As quoted, "nowhere does it say the meetings are being held because the contractors are constantly trying to undermine the independent truckers and that TANS is not allowed to intercede directly to the contractor".

The benefits of the 80/20 rule allows for fair and equal rotation for all the independent truckers. It also gives the contractors the advantages they did not have before because it puts all contractors on a level playing field. They know when they go to an area that they must deal with TANS and that TANS is going to supply them with trucks. This too enables TANS to forecast their work. The 80/20 rule has also reduced the dishonesty of truckers who haul in excess of their allowable tonnage on the highways.

Weigh Slips

According to TANS a ruling was made by the Department of Transportation stating they were no longer going to permit kilometres on the weigh slips. In previous times it was written and agreed upon that the kilometres would go on the slips, however during a recent joint committee meeting (TANS/TPW) one of the panel members for DOT said the ruling was overturned by a TANS representative the previous year. According to TANS this decision was not recorded at the joint meeting , nor was it in writing.

At this point the Standing Committee on Economic Development passed a motion requesting:

The Department of Transportation and Public Works place the distance on each and every Department weigh slip that members of TANS receive when working on Departmental contracts.

In response to this motion the Department has stated,

"It is and has been the practice of the Department to record station numbers on all weigh slips; and that as a result of discussion at the TANS/TPW meeting, the current policy of recording station numbers was agreed to; and that the current executive of TANS does not agree with the policy of recording station numbers along with several other department policies".

Funding / Rates

The study by the Department of Transportation says that they pay a higher market rate for trucking than other Provinces. In fact, the Department has a budget of $239 million, of that $239 million, $75.8 million is for salaries and $3.2 million is for travel expenses. This reflects 33.3 per cent of the budget. TANS members currently receive $39 per hour for a dump truck that costs $100,000. It is TANS general membership who set the market rate, not the large contractor or the fleet owner. TANS have asked DOT for a cost comparison of their members to the true costs of the Departments' vehicles, but have not yet received one.

"It is TANS opinion that it is far more beneficial to use their vehicles over Department vehicles".

Witness Suggestion

As stated by TANS, the audit criteria is one that can be adopted to conform with the Truckers Association and should not be altered. The Auditor Generals' report states there should be a clear understanding and agreement of rules of the program and there should be full understanding of the benefits and costs of this program. There should also be an appropriate compliance with the procurement policy of the government. If these rules, costs and benefits of this program are clear, inconsistencies and conflicts would be greatly reduced.

Highway 101

In 1998 members of the Medical Staff of the Valley Regional Hospital raised a motion of support to encourage or petition the then Minister of Transportation to twin Highway 101 The Hospital received a great deal of support from all over the Annapolis Valley. As a result several citizen groups organized themselves to fight for support of twinning this highway, i.e. "Twin 2 Win" project, et. al.

Issue

From 1994 to 1995 there were 44 deaths on Highway 101 That averages one death every six weeks; and over two-thirds of the accidents were head-on collisions. This Highway is a hazard to public health and safety. If this road were divided it would greatly reduce the number of deaths and the amount of injuries.

Highway 101 was designed in 1976 to accommodate the traffic at that time; today it is an outdated, obsolete and behind-the-times highway. The largest historical areas in the Province is the Annapolis Valley, Yarmouth and areas which have become quite a tourist spot. The tourist who come to these areas are use to traveling on highways that are in much better condition. It was stated that the Province should not encourage tourism increases to these areas and others without proper infrastructure. High traffic industrial users, such as the Michelin Plant, Air force Vehicles, Minas Basin Pulp and Power, et. al. are placing increased stress on the already deteriorating highway.

The Valley is becoming a very thriving place, but it cannot happen without proper infrastructure and the support of the provincial government to speed up development of this Highway by encouraging the federal government to allot dollars into the Province to get this road started, because every day that this is left behind there is another taxpaying citizen's life in jeopardy.

Road Condition

Highway 101 is full of cracks and potholes which are patched periodically. The markings on the road are virtually impossible to see on a wet night; and the shoulders are made out of gravel with very few guardrails placed along side. As quoted, "this is a high speed Highway with gravel shoulders!!!" Passing lanes do exist in areas where vehicles can pass in the same lane in opposing traffic. The maintenance of the Highway alone is 25 years behind the times. There are open-end abutments that were put in years ago when the Highway was first constructed. These abutments were designed to butt another overpass up against when the time came to twin the highway. Today these open-end butt cases are now starting to concave and the overpasses are falling apart.

Funding

For the type of construction needed on this Highway it would cost $1 million per kilometre. From Mount Uniacke to Windsor to Yarmouth, it would cost approximately $125 million. Suggestions were made of obtaining funding through a “Cost Sharing Agreement” between the Federal and Provincial Governments’. This agreement, if set up, will forfeit 50 per cent of what it costs the Province; or the Province could encourage the federal government to front them some money to complete the job or at least get it started.

Statistics (from 1998) show that $5.5 billion was collected in gas taxes alone. Only four per cent of that money is being spent on highways in all of Canada. That is equivalent to $250 million being put into Highway development for the entire country. Four per cent is an embarrassment compared to other economically developed countries such as Britain who invests 100 per cent of their gas taxes back into their highways; France and Italy who invests 48 per cent; Australia invests 68 per cent and the low, outside of Canada is the U. S. at 31 per cent.

Federally over $5 million per year is taken out of the fuel tax in Canada. Nova Scotia’s part is about $125 to $130 million per year. Through the SHIP and HIP agreements and all other sub-agreements (which now do not exist) the federal government puts back $25 to $30 million per year.

Witness Suggestions

> **“Encourage the federal government to allot dollars/funding into the development of Highway 101 or front the Province funding to get started on the necessary construction”.**
>
> **“Encourage the federal government to change the four per cent gas tax and invest more gas tax dollars back into the highways”.**

Air Transportation

Privatization

Yarmouth

Yarmouth is in what is felt to be a very crucial area to the Province. It has been five years (shortly after Transport Canada announced their national airport policy) since the Airport began the privatization process. It became evident that the Airport was going to close unless something is done to prevent it. The Yarmouth Airport Commission was engaged by the local council to undertake a study to look at the economic values, as well as the possibility of privatization and how it would affect the area.

Not long after this the Airport Commission was granted the Airport facility by the federal government. They were to assist the federal government with the privatization or face closure. The Airport Commission was successful in negotiating a $1.91 million settlement which bought them three to five years of time to make rational decisions to bring the Airport into a business-like enterprise, and to increase revenues to a point where they could actually break even or generate money.

Yarmouth Airport is, in total, 780 acres. It has two long runways and a brand new air terminal. It also has several tenants, including the Coast Guard and a local printing company. The Airport Commission was successful in securing contracts with Environment Canada enabling the Commission to offer 24 hour service by having a weather contract that put 24 hour staff on the premises. The Commission has also been very successful in reducing the costs of operating the Airport and increasing revenues, however they still face serious problems. If the Commission does not find a solution for their deficit in a reasonable amount of time then they will have begin the process of closure.

The Yarmouth Airport Commission has also undertaken several important projects. The building of an Airport storage hangar and, in its initial stages, a regional multi-mobile air cargo study and the potential to develop the infrastructure to fulfil this particular need.

Sydney

During the course of negotiations of the Sydney Airport, the Authority was given $2.5 million to cover the cost of the deficit for the first few years, and to make repairs to the terminal. However, there were additional costs that they were not made aware of during the negotiations; one of which was that the federal government was losing $700,000 per year on a continuous basis.

The Sydney Airport Authority inherited an Airport to service two airlines, InterCanadian and Air Nova . In their first year and a half they reduced the $700,000 deficit to between $350,000 - $380,000, then InterCanadian decided that they were no longer going to service Sydney any longer thereby increasing the deficit back to $700,000.

When InterCanadian left Sydney Airport, Air Nova subsequently added two additional flights, this in addition to employing the services of another company to do their fueling and groundwork, incurred a loss for the Airport. The Airport can provide these services and generate dollars for the facility, however due to a previous contract with Transport Canada, Sydney Airport has to honor outside company contracts. As quoted, " if Air Nova does not want Sydney's ground services and want to keep employing the outside companies to do their groundwork, then they [Air Nova] are going to have to start paying for landing and terminal fees".

Halifax

The impact of privatization on the Halifax Airport Authority this year will be in the vicinity of $1.5 to $2 million of lost revenue. With the demise of InterCanadian, who were running about 30 - 40 per cent capacity in passengers on each aircraft, that percentage was picked up by vacant seats on Air Nova who was running at 70 per cent capacity. In this instance there is the loss of the landing and terminal fees. The merger of Air Canada and Canadian produced the same loss occurrence because Canadian was running at a substantially lower capacity than Air Canada.

One of the losses to the Airport Authority is the cost of employee parking. The present charge is $12 per month paid for by the employer. Sixty per cent of those lots are used by employees of Air Canada and Canadian. The Halifax Airport Authority is looking at changing this because, in their opinion, it basically amounts to subsidizing the airlines.

Contracts

The Airlines have to recognize that the Airport facilities are now a private sector and they [Airlines] are going to have to start paying their way. Airports have a responsibility to honor the contracts inherited from Transport Canada, they also have a responsibility from the private sector perspective to generate money. They have to do as much as they possibly can to generate dollars for the physical plant that they have. The Airports must have an Airport improvement fee that they can access to fix up the terminals, add a new hangar, etc. and to improve the facilities for the comfort and well-being of their customers.

Taxes

One issue that the Airport Authorities and Commission brought forth was the fact that the Airports were levied taxes. The Yarmouth Commission generates approximately $50,000 in property taxes from the facility for the municipality. The Sydney Authority pays $132,000 in taxes and receives no services from the municipality. The Halifax Authority will pay $550,000 in municipal taxes this year alone. Most of the services that these taxes are being paid for are done directly on-site and are paid for by the Airports themselves. Very little services are provided by the municipalities. Under municipal assessment and HRM, this is money due to them. They have not had this money over the years and now the regional council sees the opportunity to finally get what is justly due to them.

When the Airport Authorities took over from Transport Canada they inherited all the responsibilities that was produced over the years, including all the leases that do not have any identification or recognition of taxes. Now it is up to the Airport authorities to bill their tenants tax bills, meanwhile paying the taxes to the municipality while hoping their tenants do not appeal their tax bills.

Regulations

Several issues regarding federal regulations are, first, the approach ban. The federal government is in the process of adjusting the limits for landing in poor weather. Yarmouth's 1,200 feet visibility will be increased to 2,600 feet visibility. The issue with that is Yarmouth has a lot of fog and if 1,200 feet was a safe operation for 50 years is it necessary to increase it. Second, is Bill C-26. This is the policy that is being developed to regulate the new air carrier industry with Air Canada and the monopoly they have. Then there is the issue of the Cabotage rule where an American carrier cannot move people between two places in a foreign country. That may have a detrimental effect on Yarmouth being able to attract some competition.

Witness Suggestions

> The Yarmouth Airport Commission suggests that the loss to the Airport (the deficit) can be covered by a government body of some kind, either municipal, federal, provincial, which would allow the Airport to continue and to give the Commission the opportunity of time in order to bring it to profitability.
>
> The Airports are not asking for any gift or money; they are asking for the opportunity for help to be more innovative. They do not want to let their Airports close; the facilities are too important for economic development. Halifax Airport may be the hub for Atlantic Canada, however if there is a problem at Yarmouth Airport or Sydney Airport it will carry through to Halifax Airport and will impact the Province. The viability and health of the Yarmouth and Sydney Airports are crucially important to all.

At this time the Standing Committee on Economic Development entertained the following motion:

> **To the Ministers of Transportation and Public Works, Tourism and Economic Development, that they sit down with Messrs. Keith Condon, Fraser Howell, Larry MacPherson and Dennis Rogers (CEO's of the regional Airports) and see if there isn't a solution to be found, and to lobby the federal government to make sure that all partners and all stakeholders find the solution to these problems.**

In response to the motion the Minister of Transportation and Public Works had provided the following:

> **"A meeting between the CEO's and the aforementioned Ministers has been arranged and that the meeting will lay the groundwork to resolve the issues and concerns that were brought before the Standing Committee".**

DEPARTMENT OF TOURISM & CULTURE

Tourism Industry Association of Nova Scotia

Tourism is trade, it is economic vitality, it is economic development. Tourism requires travel for the exchange of trade; dollars earned in one community and spent in another. Tourism is not only leisure, it is also business, it touches every occupation and every business.

TIANS, established in 1977 as a non-profit organization, is mandated to lead, support, represent and enhance the Nova Scotia Tourism Industry. TIANS now has over 1,000 members and 6,500 businesses. It is a trade organization for the business of tourism and presents a united voice for increased partnerships toward improved and increased competitiveness in the global market place. It is the provincial advocate for the eight sectors of the tourism industry, it is also the Tourism Human Resources Sector Council for Nova Scotia and a board member of the Canadian Tourism Human Resource Council.

The Future of Tourism {A Scenario}

In the year 2005, tourism will be the world's largest industry and employer. In Nova Scotia tourism will be recognized as an economic engine and export industry and as a well managed and protected resource. A Tourism Resources Management Board will be established to carry capacity and provide access to capital. Coastal areas will be mapped and designated for protection or development in balance with the ecosystem. The Halifax International Airport will be the eastern gateway to Canada and a regional hub welcoming with open skies international scheduled flights from all areas of the world. A strong regional airline will feed the eastern Provinces and states. Halifax and Sydney will be cruise home ports and coastal water ferries will link our necklace of small ports.

Transportation will be intermodal and interconnecting to provide Nova Scotians and visitors with a seamless journey. Service standards will guide a skilled workforce. Quality benchmarks will be monitored. Private enterprise will be booming, investment in infrastructure will be unimpeded by boundaries for development that is sustainable and strategic. Marketing will be a cooperative effort. The general public will be willing ambassadors and the political will moves to enhance Nova Scotia's position as the premier Canadian year-round destination.

The Present

Tourism is an undervalued, over-regulated, struggling industry with a world market knocking at the door. Nova Scotia has become a world destination of choice, a Province for all seasons. It is on the horizon of an unprecedented tourism boom with a potential for a healthy life-cycle, but it must be managed strategically as a true resource. Strategic planning to maximize and protect its future is quickly needed.

> **"Government should recognize tourism as an economic generator and provide investment and political support to realize its huge potential".**

Nova Scotia needs to manage the business of tourism, reduce regulation and barriers to business growth, extend traditional tourism season and increase protection of natural and built heritage in many cultures.

Economic Impact

Tourism is the most competitive industry in the world. Industries have found tourism to be the panacea for their economy and are making major investments in infrastructure and marketing to ensure sustainable economic growth. Nova Scotia marketing efforts pale in comparison to the rest of the world. Tourism is a revenue-producing industry; and has consistently provided growth within the Province over the past 25 years. World tourism revenues have grown 25 per cent; in Canada it has grown at a faster rate than all other industries since 1975.

In the past 10 years revenues increased in Nova Scotia from $795 million to $1.275 bullion, an annual growth factor of six per cent. In 1999 growth increased by 15 per cent in visitation and 16 per cent in revenue. Sixty per cent ($765 million) are export dollars from markets outside Nova Scotia. The Nova Scotia Tourism Industry has 6,500 direct business es supporting over 3,600 jobs. Every tourism dollar spent in the Province generates an additional $0.67 cents into communities in supplies and wages.

Tourism has important links to regional diversification. Sixteen per cent of every dollar is spent on shopping alone, matching the number of dollars spent on accommodation. Tourism is environmentally friendly, non-consumptive, non-polluting and helps make Nova Scotia a place where people want to live. It is also the barometer of the economy ---- strong and dependent on disposable income. Its current strength comes from a buoyant world economy.

Investment in tourism creates a pay-back to the economy and the government many times over.

> **"It is an investment that generates tax revenues for government; revenues that can be used to fund important needs for Nova Scotians, such as education and health, and those revenues are generated throughout the Province providing positive economic benefits".**

Public Private Partnership

Nova Scotia has taken the first step in developing a public-private partnership, the "Nova Scotia Tourism Partnership Council", but it must have the tools to provide the return on investment. In 1999 advertising expenditure investment by the Province of $6 million had a return of $80 million in revenue; every marketing dollar generates $13 in tourism receipts. In 1999 over all receipts of $1.2575 billion generated an extra $250 million in taxes.

Tourism calls for inter-ministry working relationships; it is a multi-disciplinary requiring cooperation from all government departments. The domino effect of decisions without consulting tourism interest results in disjointed development, lack of signage, inadequate access and excessive regulation all having a major impact.

> **"Government should be assisting the small business community especially in this Province where only 8 per cent of business have more than 50 employees, and removing constraints that impede growth and prosperity which have immediate return".**

Funding

TIANS need government to fully endorse tourism as a new approach and vision that would enable the industry to continue to lead the Province onto a new path of prosperity. Establishing a loan board specifically for the purpose of tourism and the tourism sector would be beneficial of the industry.

The potential reduction in the Department of Tourism and Culture over the next two years will have a detrimental impact on the tourism industry in Nova Scotia. An example is what happened in Ontario where they lost a major market share when they cut back on their tourism marketing dollars and investment in the tourism industry a few years ago and are now having to double everything to get it back.

Constraints/Barriers

Some of the constraints and barriers on tourism are infrastructure, investment; financing; human resource shortages; re-regulations in the motor coach industry, retail hours of operation; protection and conservation. There is also the ongoing problems regarding the coastline; lighthouses; wharves and navigational aids; land use; marketing ; privatization and transportation, which includes, again, infrastructure.

As stewards of the industry, TIANS see what is happening with the coastline and the fact that they have been calling for the coastline of Nova Scotia to be examined for its fragilities and its development potential so that it is strategically developed, to make sure that there is a sea coast for visitors to enjoy and that it is not totally eaten up by private investors. There is a great surge of foreign investment coming in and buying up Nova Scotia coastline before it is decided what needs to be done with it. "Nova Scotians should have decided what they wanted to do with their coastline before it was completely taken away from them".

As far as wharves are concerned they are a crucial infrastructure. There is not even a rationale by the federal government, they have not published a rationale as to why they are divesting of them.

Employment

Nova Scotia has approximately 13 post-secondary institutions offering training in tourism, however the industry is seeing skilled labour shortages and a smaller labour pool to attract from. The industry has a lot of work to do to attract people into the industry. TIANS have just established an Employment Task Force, in conjunction with government, to address employment issues. "Taking employees from one sector and moving them into another does not create new employment".

Tourism has been seen as an industry that attracts people in for the short term, however there are careers in tourism. There are good career paths and good opportunities but there needs to be continued work on the human resources side and in the secondary system right through. In rural parts of Nova Scotia the extension of the tourism season is a positive thing. People will stay if they know that the work is there and they can work their way up. There is a big misconception about the tourism industry, the value of it and the employment rates. In actuality there are 417 occupations over eight sectors in the industry.

> **"The Tourism Association is looking at the seasonality in some other industries , utilizing people who are in a truly seasonal industry, and perhaps the transferability of these skills into their sector where employment could be year round".**

Transportation

Nova Scotia's current market share is small and competition is strong. Affordable air travel means that the Province is competing in the global market place against destinations such as Australia and New Zealand and experiences such as cruises. Nova Scotia is in an excellent position to take advantage of this growth. The new global competitive environment has created challenges for Nova Scotia which require investment in both product development and marketing. There is the need to make sure that visitors can reach here by improving air, road and ferry access. Nova Scotia should invest in the resources — resources to expand capacity, improve products and develop new ones. Resources to increase the awareness of the Province as a travel destination; to attract a bigger share of growing markets so that all Nova Scotians can profit from the revenues and jobs that tourism can generate.

A good interprovincial railway system would be another attraction. It was very shortsighted to take up those rails as there is a resurgence of railways especially in the rest of the world. However the tourism industry is very encouraged with VIA Rails Bras d'Or tourism train — it is going to be a great boom.

Of the high volume of visitors who come to Nova Scotia, either using private automobiles or some form of motorized transportation on the highways, the highest number of complaints received from visitors is the state of the provincial highways. Another indicator has been the re-regulation on motor coaches and other forms of van pools. Businesses who operate a motor coach should be accountable for liability, maintenance and safety. There are fairly restrictive standards, however there are no real regulations or enforcement of the drivers; how many hours they have worked; and the insurability of the vehicle other than the normal safety inspection.

TIANS have been working with the Department of Transportation and Public Works over many years on this effort. Their understanding of the study that was done with Voluntary Planning, is that the people who operate these motor coaches want regulations. It is a major problem and should be regulated in some way.

There is tremendous potential from the cruise ship industry. If Nova Scotia were to become a home port, visitors could fly in, stay overnight and then board their cruise ship. That is where the real dollars would be, if Nova Scotia could house the cruise ship passengers here. There is all kinds of potential that is not being maximized.

Responsible tourism is a question of balance; it must be embraced and treasured. Nova Scotia should determine its carrying capacity, protect its coastline, conduct tourism-impact analysis on all development projects in as much as environmental impacts, manage to enjoy the riches, protect the future and proceed with strength of purpose.

A motion was passed by the Standing Committee to write to the Minister of Transportation and Public Works to:

> **Urge the provincial government to call on the federal government to allow more competition in the airline industry so that all Airports in Nova Scotia can make full use of the activities surrounding air travel as it relates to tourism and trade and enhances our economic development.**

Film Industry

The mandate of the NSFDC is to enhance the film and video industry in Nova Scotia by stimulating investment and employment; and by promoting Nova Scotia's location, skills and creativity in global markets. The Corporation administers development loans; equity investments; travel market assistance money and they also administer the film tax credit which is crucial. It accounts for 32.5 per cent of Nova Scotia labour content and is capped at 16.25 per cent of the budget.

Nova Scotia is the fourth largest film production community in Canada. Any future revenue or profit that comes back to the Province is reinvested. In 1993 the Nova Scotia Film Development Corporation had $14 million of production budgets spent in the Province, in 1996 it was at $130 million, this was due mainly to the film industry tax credit that had come into effect and has been steadily growing ever since. Of that $130 million over 50 per cent of it was spent outside the Halifax area.

The film industry supported and/or created approximately 2,500 jobs, training and development initiatives and other training organizations. It also provided emerging producer awards; marketing initiative for the Province and producers, and film industry trade mission as well as studio meetings and advertisements in most of the trade publications.

Public Private Partnerships

The Nova Scotia Film Development Corporation is involved in public private partnerships. Their new media fund is supported by both the Corporation and MTT as a private partnership and federal government partners i.e. ACOA and Industry Canada.

Each year the industry has been able to lever around $1 million from the Federal Government through the Economic Diversification Agreement and through HRDC for training initiatives which is vital to the growth of the film industry to ensure that there are enough trained crew to meet the increasing production demand.

Programs of investment, development loans, tax credits, marketing support and promotion have enabled Nova Scotia production companies to move from a cottage industry, pre-1990 with annual production revenues of well under $6 million, to a more mature and established base of industrial film and television production with the expenditure in Nova Scotia exceeding $130 million (1999/2000). This policy has managed to leverage the expenditure of over $510 million of production during this 10 year period which created and maintained over 2,500 direct jobs equaling about $68 million to the Province in revenues.

This is a knowledge-based industry dependent on skilled workers; and also promotes a sizeable service sector where all share in the proceeds of this activity. Over 95 per cent of funding comes from sources outside the Province, the leverage that this participation has is substantial on an economic level. The growth of the industry and the growth of skilled labour is due to the presence of strong local producers.

The industry itself, is a non-polluting, self-managed industry. It is a flexible industry which does not necessarily require huge industrial sites. Films can be made virtually anywhere. The enormous spin-off revenues, extensions of Nova Scotia's stories, culture, intellectual property and scenery to the world are some of the benefits of this industry.

Funding

The balance of these production budgets are composed of federal Agency investment and tax credits; pre-sales to certain countries; advances from distribution companies, and national/international private investments. Seventeen per cent of the budgets of Canadian certified productions were financed with direct public sector funding. Nova Scotia participation from all programs is five per cent or less. The balance of the funding is from private sector sources by way of sales and investments.

In order to grow, the industry needs these incentives to remain, to bring in more productions which provides for more dollars to build infrastructure, and provide more learning opportunities for crew. The industry needs to expand the people who are working in the fringe areas and more regional cooperation so that performers can work in Atlantic Canada. Any reduction in incentives will stop the growth of the industry and will cause members who work in film full-time to go elsewhere.

Competition

The film industry is a highly competitive industry. Nova Scotia's tax credit is 32.5 per cent, while Newfoundland and New Brunswick have a 40 per cent tax credit and PEI is in the process of finalizing a 35 per cent tax credit.

> **"The new media tax credit of 15 per cent will help producers compete with companies from other Provinces where there are larger new media incentives".**

As quoted, " Competition from other Atlantic Provinces is a little scary in that they can look like Nova Scotia".

The new media tax credit is a federal government fund available for new media companies. Quebec had accessed over 68 per cent of this fund; Atlantic Canada accessed around 2 per cent, but not Nova Scotia itself. If the film industry wanted to be competitive in that area and give new media producers a little incentive, a new media tax credit would certainly help.

To remain competitive in a regional, national and international arena this growth and sustained activity must continue as a partnership between government and the private sector. This is a valuable resource to be managed and tended because the rewards of economic growth and returns, jobs and the ability to tell Nova Scotia stories are all reasons in terms of a public private partnership.

In terms of competition, Nova Scotia now has a developed infrastructure, the production expertise, skilled labour pool, the experienced performers to compete on an international level, but we have to continue to be competitive in terms of incentives and programs if we are going to hold where we are and hopefully keep growing.

Witness Suggestions

The following suggestions were presented by the witnesses as possible solutions to the issues and concerns of the film industry.

- **The extension of the tax credit is crucial — it was suggested that the industry would like to see it extended to 2004 to support infrastructure and sustain growth.**

- **It was suggested that a regional bonus of five per cent included in the tax credit. This would encourage film production in other regions, surmounting those incremental costs of actually going out into those regions.**

- **The government and the industry should seek ways to help develop infrastructure costs.**

- **Direct and indirect marketing programs should be instituted.**

- **Education and training programs should continue to be a priority not only for the NSFDC but for the Province in general.**

- **New media, animation and research/development programs should be encouraged and supported.**

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Nova Scotia Cultural Network

The Nova Scotia Cultural Network is a not-for-profit society which promotes broad-based cultural development and indigenous cultural expression throughout Nova Scotia. As a membership organization, their goal is to create a strong and unified voice for all Nova Scotian culture by representing all aspects of the sector. The culture sector includes: arts, cultural industries, design, heritage, and performing arts.

The Cultural Network is a provincial organization whose membership consists of 160 members including organizations who have their own memberships. The Network boasts of 7,000 sub-members. The Board of Directors is made up of 15 Directors who represent both the cultural subsectors and the five geographic regions of the Province. The Board also includes four ex-officio directors who represent important cultural agencies in the Province.

The Cultural Network has a very good working relationship with TIANS, the Tourism Partnership Council, and the Department of Tourism and Culture. Cultural tourism is one of the fastest growing segments of the tourism industry. The WTO reports that 37 per cent of all international trips include a cultural component, and cultural tourism is increasing at a rate of 10 per cent per year.

<u>Economic Development</u>

The global economy is changing; people are no longer trading with their neighbors down the road or on the other side of the Province; increasingly people are trading on a global level. Imports and exports are becoming very important for local economies. The new economy is highly technological, it relies on the Internet, E-commerce, and global transportation and the pace is very rapid. The new economy is knowledge-based. "It almost sounds as if it is something that is going to replace the old economy, however this is not the case, the resource industries will still be needed, however there will be the knowledge-based industries in conjunction with it".

<u>New Economy</u>

The emerging global economy is vast and complex, some understanding of global trends will be essential to sound fiscal management and long-term economic development in Nova Scotia. Culture will be one of the cornerstones of the new economy.

From creation and production to distribution and preservation, culture is a highly complex and interdependent sector. To be successful in the new economy, all aspects of the culture sector must be strong. The sizeable economic impact of the cultural industries is due to the successful work of individual creators, because without these creators their would be no cultural sector.

> **"Government should invest in the creators that are the foundation of cultural industries".**

Nova Scotia is well positioned to be a serious niche player in cultural production for a world market. In the new global economy, with its tendency towards centralization and homogeneity, unique regional cultures are a distinct and valuable asset.

Economic Strategy

The growth of the culture sector has been phenomenal; cultural assets exists in large and small communities all across the Province. It is a social asset; it is an economic asset. In 1995 the sector was directly responsible for 2.8 per cent of the provincial GDP and 5.6 per cent of the provincial labour force; the direct economic impact of culture in Nova Scotia was $0.5 billion. From 1990 to 1995 the sector created 20 per cent more jobs than any other sector at that time; the film industry alone (1993 - 1999) has grown from $14 million to $130 million.

Investment in culture is a strategic investment in Nova Scotia's future. Culture is one of the most promising sectors in the Nova Scotian economy. Small investments leverage jobs and revenue because the sector is labour intensive and has access to a wide range of funding sources. The economic impact of culture is growing much faster than the rate of provincial investment. Decreasing that investment would have a detrimental effect, not only on the sector but on provincial revenues as well.

Culture and Economic Development

The potential for growth is phenomenal. The reason for that is the products of all the cultural industries lend themselves to being translated into digital data to be transmitted on the Internet. The whole nature of the distribution system is changing and Nova Scotia has all the necessary infrastructure, i.e. sound stages, drama and music programs, Nova Scotia Arts Council, writers, creators, et. al., all the necessary elements necessary for cultural production.

Nova Scotia's cultural sector is one of the brightest spots in the provincial economy with tremendous potential to create wealth, jobs and community pride across the Province. The sector offers a large return on a small investment; a proven record of rapid growth and job creation; the potential for fast and efficient access to global markets. Government investment has demonstrably played a key role in the development of this dynamic sector. Any reduction in the investment would be counterproductive. Increased government investment would accelerate growth, and enhance tax revenue thus ensuring Nova Scotia a small but prominent productive place on the cultural world stage.

Witness Suggestions

Since Nova Scotia's small investment in culture is so effective, increasing both the investment and the return to government would ensure that underdeveloped areas in new media, music, community arts councils, etc. reach full potential.

- **The distribution of government investment should be adjusted so that all subsectors and regions can make tier maximum contribution to cultural and economic development.**

- **Improved return on investment can be ensured through greater reliance on arms-length agencies, the voluntary sector and the private sector for delivery of programs and services.**

- **Government should remove itself from the day-to-day management of the culture sector. The presence of government officials on government funded organizations would violate the arms-length principle and their presence compromises governments ability to assess the effectiveness of its investment in a neutral and detached manner.**

- **Government should be less a manager and more a facilitator of cultural development. By transferring programs and decision-making power to the culture sector, government will empower the sector, enhance its' confidence and promote long-term sustainability.**

TECHNOLOGY AND SCIENCE SECRETARIAT

Offshore / Onshore Technology Association

OTANS, established in 1983, is a non-profit Association of businesses mandated to promote and support the capabilities and expertise of Nova Scotia offshore and onshore industries; identify business opportunities and advise members; maximize Nova Scotia participation in the supply of goods and services; and promote members both nationally and internationally.

Challenges

OTANS challenge to the industry is to adapt to onshore technologies and services; deliver new technologies to meet emerging needs; infrastructure and training; deliver conventional technologies competitively; enter joint ventures, alliances, partnering and to establish a track record in the global industry.

Benefits

The benefits of the industry will produce local delivery of supplies and services, which will improve reliability of services; and a capable local infrastructure will make the region attractive for future development.

Revenues from natural gas and oil will generate as new industry will be attracted here because of the cheaper energy sources. There would be additional revenue generated from tax bases and the royalty agreement.

Opportunities

There are employment opportunities with the oil/construction companies and the installation in the pipeline industry; the petrochemical industry; exploration drilling, production and operation services and gas distribution and utilization, however economic growth and long-term job opportunities would be more in the service and the support of the offshore.

Nova Scotia might be a little bit behind on having the educated workforce that is going to be required in the future of the industry. There was some opportunity in the construction portion of the Maritimes & Northeast Pipeline, but there will be a lot more opportunity for companies as they develop the Sempra Distribution System. One of the biggest problems developing the educational needs of potential candidates is to get the oil companies themselves to indicate exactly what they need in terms of training and education. For example: " if a person is trained too soon their ticket may lapse and then they must be retrained and if they are not trained then they do not have a job".

There must be as much Nova Scotia content as possible. In comparison to other countries the development stages set down very clear criteria as to what percentage of content has to be provided by the country or jurisdiction.

Fishery

OTANS would like the opportunity to work with the fishing industry — Nova Scotians talking to grassroots Nova Scotians explaining it one on one as to exactly what is happening. No one wants to hurt the fishing industry. OTANS is working very closely with other interest groups interested in the development of the offshore industry such as CAPP, the Petroleum Directorate and Community Colleges. However the fishing groups do not want the development and are voicing very strong opinions based on the fact that the Georges Bank moratorium is continued for 12 more years. As an Association, OTANS is not against the moratorium, but would have preferred that it was three to five years instead. They feel with the 12 years span, the window of opportunity to develop in Georges Bank will probably be gone.

Regulatory Process

A single regulatory regime with the most stringent set of regulations, that would not be overlapping for different jurisdictions, would be the ideal approach to a regulatory body. OTANS is in the process of working with the Newfoundland Ocean Industries Association on a regulatory review committee to study this process.

Streamlining the approach for these companies will make a big difference in how the Province is perceived — a Province who wants to really do business with the oil and gas producers. There will be advantages and disadvantages of setting up an energy council of experts on the offshore, however companies are more interested in establishing a standard and who the regulator would be. In a separate presentation from CAAP and Sable at a CORE conference it showed the method of the offshore with the jurisdictional overlaps, be it the National Energy Board, the Coast Guard or the CNSOPB, the companies would much prefer to have one entity to deal with.

STATEMENT OF SUBMISSION

All of which is respectfully submitted to the House of Assembly
this ___ day of ____________, 2000

____
Mr. Brooke Taylor, MLA (Chairman)
(Colchester - Musquodoboit Valley)

I concur

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Mr. William Dooks, MLA
(Eastern Shore)

I concur

____
Mr. Don Downe, MLA
(Lunenburg West)

I concur

____
Mr. Richard Hurlburt, MLA
(Yarmouth)

I concur

____
Mr. Brian Boudreau, MLA
(Cape Breton the Lakes)

I concur

____
Mr. Frank Chipman, MLA
(Annapolis)

I concur

____
Mr. Frank Corbett, MLA
(Cape Breton Centre)

I concur

____
Mr. Kerry Morash, MLA
(Queens)

I concur

____
Mr. William Estabrooks, MLA
(Timberlea - Prospect)

(The original Statement of Submission has been signed by all Members of the Committee and is presented in hard copy)

Committee Membership

During the 1st Session of the 58th General Assembly of the House of Assembly, the make-up of the Standing Committee on Economic Development was comprised of the following members (as at October 7, 1999):

Mr. Brooke Taylor, MLA (Chairman)
(Colchester - Musquodoboit Valley)

Mr. William Dooks, MLA
(Eastern Shore)

Mr. Richard Hurlburt, MLA
(Yarmouth)

Mr. Frank Chipman, MLA
(Annapolis)

Mr. Kerry Morash, MLA
(Queens)

Mr. Kenneth MacAskill, MLA
(Victoria)

Mr. Don Downe, MLA
(Lunenburg West)

Mr. Frank Corbett, MLA
(Cape Breton Centre)

Mr. William Estabrooks, MLA
(Timberlea - Prospect)

As at May 19, 2000 the following changes to the Committee membership were as follows: Mr. Brian Boudreau, MLA (Cape Breton the Lakes) replaced Mr. Don Downe, MLA (Lunenburg West); and on November 6, 2000 Mr. Kenneth MacAskill, MLA (Victoria) was replaced by Mr. Don Downe, MLA (Lunenburg West).

Committee Meetings

The Standing Committee has been meeting on Tuesdays since its establishment, and all meetings are open to the public. During the 1st Session of the 58th General Assembly the Standing Committee on Resources has met on the following dates.

December 7, 1999
January 11, 2000
January 25, 2000
February 8, 2000
February 22, 2000
March 7, 2000
March 28, 2000
April 4, 2000
May 2, 2000
May 30, 2000

Notices

Notices of committee meetings are sent to all members of the Committee, support staff of the caucus and legislative offices, the House of Assembly Press Gallery, the government wire services and is published on the Internet.

Transcripts

Transcripts of the Committee meetings are available from the Legislative Committees Office, 3rd Floor, Dennis Building, 1740 Granville Street, P.O. Box 2630 Station M, Halifax, NS B3J 3N5 or from the provincial government web-site: **www.gov.ns.ca/hansard.**

Annual/Interim Reports

All reports of the Standing Committee on Economic Development are compiled by the Legislative Committees Office and forwarded to the committee members for consideration. Once the report is finalized it is then distributed as follows:

> The Speaker/Clerk of the House of Assembly; all members of the Legislative Assembly; all presenters who made presentations before the committee; all Legislative Assemblies and Legislative Libraries across Canada, including the Territories and the media. The report is also available to all persons interested in obtaining a copy from the Legislative Committees Office or through the provincial government web-site.

Acknowledgments

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> The Nova Scotia Business Development Corporation; Atlantic Canada Opportunities Agency; Canadian Oil Heat Association; Canadian Pensioners Concerned; Wilson Fuels; Department of Finance; Ms. Sonja Wood; Dr. Ian Verryn-Stuart; Truckers Association of Nova Scotia; Tourism Industry Association of Nova Scotia; Offshore/Onshore Technologies Association; Film Industry of Nova Scotia; Grape Growers Association of Nova Scotia; Yarmouth Airport; Sydney Airport; Halifax International Airport; and the Nova Scotia Cultural Network. Many thanks and gratitude to Mr. Mr. Rodney Caley, Editor of Hansard; Hansard Staff; to Mr. Don Ledger, Co-ordinator of Legislative Television and Broadcasting; Legislative Television Staff; to Mr. Michael Laffin, Co-ordinator, House of Assembly Operations; House of Assembly Staff; and to Margaret Murphy, Legislative Librarian and Librarian Staff.