



STANDING COMMITTEE
ON
ECONOMIC DEVELOPMENT

ANNUAL REPORT

November 2004

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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 2003 - 2004 Annual Report of the Committee for the First Session of the Fifty-Ninth General Assembly.

Respectfully submitted,

Mr. Russell MacKinnon, MLA
(Cape Breton West)
Chairman
Standing Committee on Economic Development

Halifax, Nova Scotia
2004

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Foreword

The report of the Standing Committee on Economic Development was written in accordance with the mandate of the committee.

The report is written under individual topics 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.

ORGANIZATIONAL MEETING

October 28, 2003

WITNESSES

There were no witnesses present during this meeting. The Standing Committee on Economic Development had, at this juncture, formulated their potential witness list to include such organizations and topics as the Nova Scotia Nominee Program, Nova Scotia Business Inc., Emergency Measures Organization & Environment Canada - Canadian Hurricane Centre, Capital Transportation Authority, Cape Breton Regional Municipality, Richmond County Council, Electricity Marketplace Governance Committee (Department of Energy), and the Shipbuilding Industry of Nova Scotia.

These witnesses were approved by the Standing Committee on Economic Development.

In the following sections of this report, the business of the above witnesses will be further detailed.

References to, and within, this transcript can be found on the Nova Scotia Government Web Site at: http://www.gov.ns.ca/legislature/hansard/comm/ed/ed_2003oct28.htm

NOVA SCOTIA NOMINEE PROGRAM

November 25, 2003

WITNESSES

Nova Scotia Nominee Program

Mr. Jim Stanley - Director of Policy & Strategy

Ms. Carole Lee Reinhardt - Immigration Policy & Planning

Metropolitan Immigrant Settlement Association (MISA)

Ms. Claudette Legault - Executive Director

Mr. Alexandre Pavlovski

Ms. Nabiha Atallah

Citizenship & Immigration Canada (CIC)

Mr. Ron Heisler - Director of Operations for CIC (Nova Scotia & Prince Edward Island)

INTRODUCTION

The Nova Scotia Nominee Program Agreement, signed on August 27, 2002, allows Nova Scotia to nominate up to 200 immigrants per year over a five-year period, based on specific criteria. The program targets immigrants who are interested in coming to and staying in Nova Scotia. There is also a strong focus on those interested in rural areas. Traditionally 90 per cent of Nova Scotia's immigration has centered around the metropolitan Halifax core. The Nominee Program gives Nova Scotia the ability to have accelerated processing for up to 200 immigrants per year for the life of the agreement. This agreement is outside the traditional immigration categories that are in place with Immigration Canada; of course the targeted level can be exceeded upon mutual consent of both parties to the agreement.

There are a number of other provinces across Canada that have a Nominee Program agreement with the federal government and each province has a unique skill and/or economic focus to its agreement. For Nova Scotia, the immigrants are nominated because they provide economic benefit to the province on an industrial and economic basis, and/or because they address labour market needs in the province.

Nova Scotia is the first province to have a francophone component in its agreement. The province is making every effort to choose people who will remain in Nova Scotia and not just stay here long enough to relocate to larger urban centres.

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Once an immigrant has landed in Canada, however, they are then protected by the Charter of Rights and Freedoms, and are able to live wherever they choose. This means that if Nova Scotia issues a certificate for a nominee, they may choose not to settle in Nova Scotia after all.

MATTERS OF DISCUSSION

Although there were a number of issues discussed throughout the meeting, outlined below are a few of the key issues.

Employment & Economic Focus

— The Nova Scotia Nominee Program considers candidates with management expertise and those who work in fields where skill shortages exist. There has to be a guaranteed job offer for the nominee. A person is nominated when a skills gap exists in a particular community, business or industry and there is no Nova Scotian to do the job.

— Under the Skills Nominee Program, employers can hire any person with the necessary skills and job qualifications that they require. Employers go to the Metropolitan Immigrant Settlement Association (MISA) and the Office of Economic Development looking to hire people with specific job skills when other Nova Scotians do not have what that particular employer needs. However, employers must show that they did indeed try to obtain Nova Scotia and/or Canadian content first. Most of the skills shortages are from a professional area or areas with highly specialized skills, i.e., medical, engineering, etc. There has not yet been any interest from the skilled trade area.

— The Office of Economic Development continues to work with the stakeholders to promote and create awareness of the program and its potential to the economy. The OED also co-chairs a committee on immigration with Citizenship and Immigration Canada. The committee has a number of joint initiatives underway, including the development of a pilot program for foreign students.

— A joint ministerial initiative led by colleagues in the Department of Education has begun to prepare a comprehensive immigration strategy for the province. This strategy will look at various aspects of immigration. Some adjustments are expected to take place within the Nominee Program to align it with the emerging provincial strategy.

As well, the province has supported a variety of immigration work with non-government partners, including the New Beginnings Program with MISA and the publication “Everything Ventured Something Gained”.

— Under MISA there are two immigration programs; one, the Labour Market Attachment Program, an employment counselling and placement program, which receives support from the Department of Education. Two, the Immigrant Entrepreneur Orientation Program which receives support from ACOA and the Office of Economic Development.

Goals and Opportunities

— The Provincial Nominee Program should support broader goals for the province. In terms of maximizing success, the program should ensure flexibility, involve stakeholders, be open and transparent and include integration and retention. In terms of flexibility, one of the main focuses should be a rural focus and a francophone focus; however, it should include Halifax Regional Municipality in the definition and criteria because the majority of the immigrants do come to the HRM area.

The program should be employer-driven. One of the things strongly recommended by MISA is to ensure a working relationship with existing local immigrant communities. All of the research and the data suggests that people want to come to a place where they already know somebody.

The selection process should be open and transparent. There is an opportunity to look at different mechanisms for how to process the applicants in a way that can increase the amount of resources that the province has to support other programs and the Provincial Nominee Program. Ongoing evaluation and modifications need to be continually tailored and adjusted.

— Attention to services to keep immigrants in the province was one of the factors in creating this “Welcoming Communities” initiative. An example of this is the Colchester Regional Development Authority (CoRDA) initiative called “ Building a Welcoming Community” . CoRDA has developed a 3-year proposal in an attempt to recruit immigrants to the community directly. They have developed a newcomers guide, added a multicultural component to their spring tulip festival and made contacts with local employers to develop what they need in terms of job skills.

— In relation to retention and integration, it is very important to make sure that the immigrants have all the information they and their families need to ensure that this is the choice they want when relocating. It is important there be timely settlement and orientation services, that immigrant spouses and their children are happy, because if they are not, the family is less likely

to stay. By creating welcoming communities anyone who comes is going to stay if they have some personal contacts and if they are able to establish the network.

— There needs to be economic opportunities; newcomers are not going to come unless they have a job or feel that they can open a business. Assurances need to be made that those opportunities exist for everyone who lives in Nova Scotia as well. The policies and services that support integration and retention are a shared responsibility that has to be spread across all levels of government.

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— Immigration spawns innovations in communities and in business sectors and innovative communities are culturally diverse. Immigration in Nova Scotia has been steadily declining. Over 76 per cent of the immigrants who came to Canada in 2001 went to Toronto, Montreal or Vancouver. In 2001, less than 1 per cent of the immigrants who came to Canada settled in Nova Scotia. Census data, released in 2002, has confirmed that Canada's aging population and declining birth rate have implications for the economy. By the year 2011, immigration is expected to account for all of the net population growth in Canada.

In 2002, the number of immigrants that came to Nova Scotia was down around 1,400, yet the target that Manitoba had for 2003 was 10,000. Manitoba, being more or less similar in comparison to Nova Scotia, made the decision five or six years ago to make immigration a priority. According to MISA, in financial terms, 10,000 individuals coming to Nova Scotia with the transfer payments that would follow them, would be a substantial contribution to the economy over and above what the immigrants would actually contribute as producers, employers, consumers, etc.

However, according to staff at Immigration Policy & Planning, Manitoba's program is very successful, but if Nova Scotia mirrored it and set 10,000 immigrants loose in the province it would be a disaster because of the welcoming community aspect. A lot of the business immigrants come through the regular stream of the federal program as entrepreneurs. The federal Act stipulates that the Nominee Program cannot compete with the federal investor programs or any in the federal stream.

Attracting and Retaining Immigrants

— The key to attracting and retaining immigrants is the creation of a "welcoming community", with work and business opportunities as well as social, cultural and spiritual opportunities. The Government of Canada has primary responsibility for immigration; that is setting immigration and refugee intake targets, selecting immigration according to existing legislation and regulation, providing funding to support settlement services for immigrants and defining membership and requirements for membership in Canadian society.

— In Nova Scotia, the responsibility for immigration is divided between the Department of Education and the Office of Economic Development. The Department of Education is

responsible for liaison and consultation with Citizenship and Immigration Canada and coordination of provincial immigration matters overall. The office of Economic development is responsible for overall business immigration and the Nova Scotia Nominee Program itself.

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DOCUMENTATION

There was no documentation requested by the Standing Committee on Economic Development or furnished by the Nova Scotia Nominee Program associates nor the Metropolitan Immigrant Settlement Association.

References to, and within, this transcript can be found on the Nova Scotia Government Web Site at: http://www.gov.ns.ca/legislature/hansard/comm/ed/ed_2003nov25.htm

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NOVA SCOTIA BUSINESS INC.

December 18, 2003

WITNESSES

Nova Scotia Business Inc.

Mr. Stephen Lund - President and CEO

Mr. Pat Ryan - Vice President, Financial Solutions

Mr. Chris Smith - Vice President, Corporate Services

Mr. Martin Walker - Manager, Business Intelligence

INTRODUCTION

Nova Scotia Business Inc. has been in existence for two years. Their mandate focuses on a number of opportunities within the information technology, energy, life sciences, advanced manufacturing and learning sectors, in conjunction with other traditional sectors of the economy.

NSBI's five year strategic plan is essentially to help existing companies in Nova Scotia expand, to attract leading-edge companies to the province, provide access to capital for business, increase recognition of the province and develop an action-oriented organization.

The organization regularly meets with companies, they look at various regional business cases, and have a number of stakeholder sessions through which they look at identifying gaps in the market in providing services. NSBI provides financial services, export development services and investment attraction services. They have also developed a business advisory group.

MATTERS OF DISCUSSION

Although there were a number of issues discussed throughout the meeting, outlined below are a few of the key issues.

Financing Ventures

— Within NSBI's first full year of operation, they have provided access to capital, provided financings valued at \$13.6 million, assisted 113 clients in increasing export sales. Of the number of meetings with other companies targeted, NSBI made 473 company visits which led to seven companies locating part or all of their businesses in Nova Scotia. As part of attracting leading-edge, sustainable companies to Nova Scotia, NSBI has surpassed its target for last year and will match or exceed the target for this year.

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— Out of its business fund, NSBI has loaned a total of \$180 million in business loans, of which there is a target of 18,000 jobs to be generated through clients, over a five-year period. Of these clients there are 200 who employ nearly 9,000 people across the province.

— In terms of the operating budget, NSBI has implemented a Portfolio Management Strategy. Through their lending and investment strategy, NSBI provides everything from term loans to venture capital. In the last year they have engaged a business analyst to help with its due diligence process and financial analysis. They have introduced a risk grading system to help quantify more accurately where the risks are and to price those risks, and also to structure transactions in such a way as to mitigate the risks. They have also recruited a professional who deals with their high-risk portfolio.

Small Business Ventures

— Nova Scotia Business Inc. places a lot of focus on working with small business entrepreneurs throughout the province, but there is still a perception in some areas that NSBI does not focus enough on small business. Ninety-two per cent of businesses in Nova Scotia have less than 50 employees. Last year, 80 per cent of NSBI's effort and energy was working with small businesses, targeting the needs of small business with regard to training, market information and access to capital. The organization tries to address itself with financing to those good businesses in the province that are unduly challenged in accessing capital because many commercial institutions do not want to take a risk in rural settings, or because of the businesses stage of development or because of the sector that these businesses work in.

It is always a challenge to determine how much risk is enough risk and it is something that NSBI struggles with every day, especially with smaller businesses. Although the Business Development Corporation, the credit unions, and the Business Development Bank actually covers the ground pretty well on smaller transaction, NSBI tries to address itself to those niches that are not serviced.

What NSBI decided to do was to set up an internal small business unit within the organization whose mandate is to work with small business and focus efforts around skills upgrading, investing in new capital, market diversification and product diversification.

Developing Rural Areas

— Considering that \$180 million of NSBI's business fund is currently loaned out to finance small business, of their loan budget, only 1% or \$112,000 has gone to rural Cape Breton small businesses over a two year period.

The breakdown of the dollars that were loaned from Nova Scotia Business Inc. showed that only 0.5 per cent or about \$45,000 loaned went to businesses on Cape Breton Island.

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NSBI realizes that they haven't done as much as they would like and have shifted their emphasis to try to focus more on the Island, to work with some of the organizations. The province still has an interest in creating a Cape Breton Growth Fund, and NSBI has several significant projects that they are working on now [in Cape Breton] and are confident that those projects will come to fruition this year.

— Creating initiatives to assist in shrinking population areas such as: getting a first hand view of where NSBI can assist from the people in these areas, identifying what opportunities are available in these areas, working with RDAs in setting up job/trade fairs to attract students, and focus closer in communities and working to identify opportunities.

There are pockets where population is growing but overall there is a downward demographic trend. There is a gap even at the local level in understanding what the opportunities exist within a community. Population in general is aging and therefore, is not going to grow. What NSBI is going to be doing is focusing closer to the community to identify those opportunities that make sense within that community and work with their partners to ensure that they can create a marketplace where there is an understanding of the available opportunities. To better understand what can be done in the context of that community.

— The business climate is an extremely important issue. Whether it is a small community looking to retain its people or looking to attract business, infrastructure is absolutely critical. People do not want to locate in an area unless there is a good school, nice roads and things that go with that.

There is an absence of a proper business climate in rural areas such as roads, schools, economic opportunities, etc. to aid in developing these areas. If the proper climate existed, less money would be needed to fund small business as the population would be there to help sustain it .

Infrastructure and immigration are big issues that involve provincial and federal participation. NSBI takes the research that they find, makes recommendations to the government, trying to

promote each area and trying to promote the strengths of each area. Some communities are better than others in promoting their area and encouraging people to stay.

Export Market

— The U.S. market is Nova Scotia's primary market; eighty-two per cent of Nova Scotia's exports go to the U.S. Although Nova Scotia does not have the resources to expand trade teams to other countries, NSBI is looking at where the province can export. There are a number of European companies with operations in the province, so there are some opportunities to expand the export market in that direction.

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Again, one of the challenges that NSBI has is resources. They do not have the financial and personnel resources that other jurisdictions have to build teams to focus on relations with individual countries. With about 2,000 economic development agencies in North America, business is extremely competitive.

— NSBI remains conscious of the fact that as an organization, when they turn a profit, it is an investment for the province. The more business activity they are able to generate, the more money they can channel back into the government for different programs.

DOCUMENTATION

The following documentation was requested by the Standing Committee on Economic Development and furnished by Nova Scotia Business Inc.

1. A statistical analysis on the population trends in rural Nova Scotia;
2. A breakdown of jobs by growth sectors identified in NSBI's presentation.

References to, and within, this transcript can be found on the Nova Scotia Government Web Site at: http://www.gov.ns.ca/legislature/hansard/comm/ed/ed_2003dec18.htm

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EMERGENCY MEASURES ORGANIZATION

&

ENVIRONMENT CANADA

January 13, 2004

WITNESSES

Emergency Measures Organization

Mr. Mike Lester - Executive Director

Environment Canada - Canadian Hurricane Centre

Mr. Bill Appleby - Regional Director

Mr. Ken Kirkwood - Manager

INTRODUCTION

Over the past five years there have been some changes in Nova Scotia with respect to natural disasters. Some significant dates are: the 1998 ice storm that encouraged the New England States and the eastern provinces to develop mutual aid agreements. In September 1999, Cumberland

and Queens County experienced flooding that resulted in \$3.3 million in damage. There was the Cape Breton Regional Municipal flood in November 2000, and the Guysborough/Richmond tidal surge in March 2003. The province-wide flood in April of 2003 has cost approximately \$27 million to date and is still rising. Then in September 2003, Hurricane Juan cost the province initially about \$47 million while costs continue to mount. These figures do not reflect those costs incurred by the insurance companies. Overall for this period, Nova Scotia has in the area of \$80 million worth of damages as a result of natural disasters in such a short period of time.

Why the increased damage levels? Nova Scotia is receiving higher concentrations of rain and because of this culverts cannot do the job. Flood plains continue to be filled in, and built upon. Flood plains have not been adequately defined and building permits continue to be issued in the hazard areas. Sporadic efforts have taken place across the country over the years, but there has not been a concerted effort by all three levels of government to develop an effective mitigation strategy, which is necessary in order to lessen the impact of recurring major natural disasters.

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The Nova Scotia Emergency management System uses the “all hazards” approach. Basically it is the same people responding to do the job and that, in itself, is a real asset. The roles of the three levels of government are understood and joint training is undertaken and goes on continually. The one-window concept is utilized to request or support another layer of government.

MATTERS OF DISCUSSION

Although there were a number of issues discussed throughout the meeting, outlined below are a few of the key issues.

Emergency Measure Organization

— In the overall concept of things, it is believed that the most effective process to approach or to address major emergencies is to keep the control of the emergency at the lowest possible level of government. The municipalities all have first response agencies - police, fire, ambulance and public works. They are the ones that know their community, know where the assets are and where the challenges may be.

— All municipalities are required by the Emergency Measures Act to have an Emergency Measures Organization, an EMO coordinator, an emergency plan, an emergency bylaw, and an emergency measures committee of council. The federal emergency preparedness structure is currently under major review, and the provincial department plans are continuing to be reviewed, with most of them completed.

— The vulnerability of seniors and disabled persons is the responsibility of all levels of government. Municipalities have to identify emergency shelters in their communities. Every licensed facility, i.e. senior citizens' homes and such are required to have such backups as generators, sheltered areas, etc.

In 2002, an emergency preparedness evaluation showed that 82% of municipalities were graded fair to excellent in emergency measures.

—The response to major emergencies is a well-developed and dynamic system which is constantly improving. However, at present the greatest void in terms of natural disasters is that of mitigation. It remains to be seen how many times one must be victimized before a national strategy is established to lessen the impact of recurring major natural disasters.

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Meteorological Service of Canada (MSC)

— Risk of a natural disaster can be defined as a risk of a natural hazard times the vulnerability of the public or company or whatever aspect of human living. The objective at the Meteorological Service of Canada is to reduce the vulnerability of the public to weather hazards through timely and accurate warning, forecasts and information.

— Wind and storm surges are two types of hazards that are increasingly becoming major concerns. The Groundhog Day windstorm in February 1976 inflicted a fair amount of damage across the whole region; also included with that storm was a significant storm surge along the coast which caused a lot of infrastructure damage. In January and October of 2000 there were two instances of storm surges that affected the northeastern portions of the province. In 2002 Tatamagouche experienced a small-scale tornado that did a significant amount of damage. The snowstorm of February 1992 generated snowfall in the amount of about 100 centimeters in the Halifax area while the Amherst area received as much as 160 centimeters in total. This did not occur all in one day, but rather over a period of two to three days.

— MSC's main concern is how to get information out to the public. They have a set criteria to determine when to issue warnings for such things as wind, storm surges, precipitation amounts, temperature, cold snap, heat and air quality.

Warnings are distributed automatically through a telecommunications system. EMO gets those warnings automatically, and all special weather statements [which are statements issued to advise the public of weather situations that may occur over the next day or two]. Warnings are

also distributed to the media and are posted on MSC's websites. Furthermore, MSC has a 24-hour continuous broadcast of Weatheradio, [a radio station that broadcasts 24 hours a day, continuous weather warnings, forecasts and weather information] and ATADs (automatic telephone answering devices) which play a pre-recorded message of forecasts and warnings.

Not all warnings are about a natural disaster. MSC has to advise the public of weather situations that are going to impose some concern for travel safety and property. The big concern and one that requires continuous effort is to make the public, clients and specialized clients, such as EMO, aware of issues relating to warnings and significant weather.

Communication

— The Meteorological Service of Canada has a very good working relationship with the provincial EMO. However, it was stated that closer cooperation regarding warning and preparedness needs to be maintained with first responders and there needs to be continued work on joint messaging with EMO similar to the relationship MSC has with the Department of Health regarding air quality.

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MSC has expertise in the meteorological aspects of weather warnings, but not on what the public response should be. MSC also plays a very active role with the media when issuing weather warnings. Better still however, would be the ability to provide the meteorological warnings, along with some preparedness messages as well.

— Broadening communication between other first responders would enable MSC to have a bit more contact with agencies such as local fire departments and the 911 personnel. Cross-training of EMO and MSC staff would allow EMO staff to be aware of warning criteria, weather practices and how the weather is forecast, to give EMO a basic background of what the issues are that MSC is dealing with when they are trying to forecast the weather. The Meteorological Service of Canada staff could benefit from an awareness of what the emergency preparedness personnel have to deal with as well when warnings are issued. MSC is continuously reviewing their warning types and nomenclature.

There is a need for critical decision-making systems to be in place to respond to national disasters and the need to improve public and media awareness, is an ongoing, continuous issue and a problem to be dealt with.

Disaster Financial Assistance Arrangements

— At this time, compensation is still pending from the March 2003 floods. With the event of Hurricane Juan, changes in the process have been instigated to eliminate some of the snags. Viewing the current disaster assistance as inadequate, the The Emergency Measures

Organization directors are trying to expedite the process by developing a position to put to the federal government. The fisheries Enhanced Disaster Financial Assistance Program was fairly straight forward, but with the farming community, it has been more complicated. While all applications have been received and initially dealt with, the difficulties have arisen when trying to determine who is eligible for compensation. As well, certain criteria of the federal Disaster Financial Assistance Arrangements have to be met in order for the province to be compensated.

DOCUMENTATION

The following documentation was requested by the Standing Committee on Economic Development and furnished by the Emergency Measures Organization.

3. Status Report - Hurricane Juan Disaster Financial Assistance Program.

References to, and within, this transcript can be found on the Nova Scotia Government Web Site at: http://www.gov.ns.ca/legislature/hansard/comm/ed/ed_2004jan13.htm

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CAPITAL TRANSPORTATION AUTHORITY

February 10, 2004

WITNESSES

Capital Transportation Authority

Mr. George McLellan - Chief Administrative Officer

Mr. Dan English - Deputy Chief Administrative Officer

Mr. Rick Paynter - Director of Transportation and Public Works

Mr. David McCusker - Regional Planning Manager for Transportation

Ms. Cathie O'Toole - Executive Assistant to CAO Office

INTRODUCTION

Halifax Regional Municipality currently has a population upwards of 400,000 people and the last census indicated that the total population of Nova Scotia was just below the one million mark; however, this is not primarily due to increased immigration. Different aspects of transportation are controlled by different agencies. The province has the 100-series highways coming into HRM and the Bridge Commission. The federal Government has some road maintenance activities with respect to their properties. Responsibility for transportation is mixed. In the last 20 years the population of HRM has grown about 20 per cent; however, no new infrastructure has been developed to support this growth and the complexity of HRM traffic patterns resulting from the fact that 65 per cent of HRM's population works on the Halifax peninsula.

MATTERS OF DISCUSSION

Although there were a number of issues discussed throughout the meeting, outlined below are a few of the key issues.

Transportation Planning

— The connection between land use and transportation planning, in terms of amalgamation, is working. It has provided the ability in preparing the regional plan to look at all related issues in the context of land use and transportation and to plan accordingly. It has created opportunities to make those connections.

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— Some of the features of transportation in HRM is that it is home to 40 per cent of the population and about 48 percent of the assessment base of the province. HRM has Canada's largest naval facility, the fastest-growing airport in the 1990's, the second largest, ice-free natural harbour in the world, and the eastern-most hub for service of CNR respecting population growth. The Greater Halifax Partnership predicts an additional 75,000 to 100,000 person increase in the population of HRM within the next 20 years.

Funding

— With respect to funding for infrastructure, HRM has an annual funding gap of about \$50 million between how much should be spent relative to actual expenditures. This gap stems from the fact that once uniforms, gasoline, salaries, some equipment, lawn repair and salt for ice is paid for, most of the funding is already spent. HRM has the capability for the upkeep/maintenance of the municipality, but when it comes to extra money to reinvest in large infrastructure projects it is simply not there. Furthermore, the current infrastructure is ageing.

— HRM is about four times as large as the second-largest regional municipality and about 12 times as large as the third-largest municipality. After amalgamation, HRM inherited \$141 million in working capital. The total debt was \$300 million, which will be reduced in the next fiscal year to about \$280 million. HRM is trying to create some financial backbone by reinvesting in its reserves since it has to look in terms of what will happen to the public and to service levels if there were to be a retraction.

— HRM places the highest reliance on property tax in North America, depending upon about 68 - 69 per cent in property tax, as a percentage of total expenditures. The average in Canada for cities comparable in size would be in the range of 52 - 54 percent.

— There have been few major investments with respect to aging infrastructure. HRM had the capacity to do 80 kilometres/year within its budget, but are now currently able to do about 30 kilometres of road annually.

— As a provincial capital and the region's economic and urban centre, the state of transportation infrastructure directly impacts economic growth, tourism and individual taxpayers. It also greatly affects insurance rates, safe highway and transportation network, health and safety, and the health care system, as well as emergency management.

Capital Transportation Authority (CTA)

— Growth patterns have been dictated by transportation planning. The dispersion of growth has resulted in the expansion in transportation, resources and investments.

The issue for HRM, in terms of dispersion, as it affects costs, is not just related to the transportation issue but sewer, water and recreation as well. To some extent governments have created the current transportation problems due to lack of co-ordination. This issue is currently being addressed with such projects as the Capital Transportation Authority (CTA).

— The purpose of CTA is to implement a regional growth strategy, move people and goods efficiently, support environmental objectives, support economic development and reduce intergovernmental impediments. The Authority would be responsible for the coordination of transit road networks, parking, bridges, and possible commuter rail. Funding would come from a portion of the gas tax, vehicle licensing fees, transit revenues, bridge tolls, parking surcharges and/or parking revenues. Coordination of municipal and provincial governments working together through the transportation authority would be more effective in leveraging federal dollars.

The establishment of the CTA would bring together the responsibility, for strategic planning, an intermodal transportation network under one umbrella. The CTA would work with agencies such

as Halifax International Airport Authority and Halifax Port Corporation to align long-term strategic plans to maximize economic benefit.

— HRM has already had a number of discussions with the provincial level of government with respect to the Capital Transportation Authority, informally about some of the elements of this vision.

An example of CTA's intermodal transportation ideas is rail. It is looking at a line from Timberlea and discussing the idea of a line from Windsor Junction, Sackville, and/or Bedford, although it is unsure how feasible a rail line would be. Another idea is the Harbour which is the cheapest, most effective and visually pleasing asset that the region has. An opportunity exists and HRM is looking at the feasibility of running a ferry service out of Bedford. Ferry service would be considered for Shannon Park, as well as to and from Purcell's Cove. HRM has written to the Province of Nova Scotia requesting the use of the Law Courts building when that asset is no longer of use to the province. These are all challenges that the Capital Transportation Authority needs to undertake.

DOCUMENTATION

There was no documentation requested by the Standing Committee on Economic Development or furnished by the Capital Transportation Authority (HRM).

References to, and within, this transcript can be found on the Nova Scotia Government Web Site at: http://www.gov.ns.ca/legislature/hansard/comm/ed/ed_2004feb10.htm

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CAPE BRETON REGIONAL MUNICIPALITY

March 9, 2004

WITNESSES

Cape Breton Regional Municipality

Mr. John Morgan - Mayor

Mr. Jim MacLeod - Deputy Mayor

Mr. Jerry Ryan - Chief Administrative Officer

Mr. Bernie White - Municipal Clerk

Mr. Doug Foster - Director of Planning

Mr. John Whalley - Manager of Economic Development

INTRODUCTION

The governance study, undertaken for Cape Breton Municipality, was to review the relationship between governance options, including resources, structures and policies, and economic development. A key feature of the analysis was the preparation of a budget for the Island. The estimated total revenue generated in Cape Breton annually is approximately \$929 million.

The main findings of this study showed that Cape Breton is not sustainable under the current governance arrangement. Based upon a financial analysis, Cape Breton can be self-sustaining; however, based upon financial figures resulting from the study, the Island is not being subsidized by the rest of the province.

Economic and population health indicators for Cape Breton indicate that there is an economic and societal crisis. Cape Breton does not have control of the resources, fiscal instruments, structures or decision-making autonomy necessary to deal effectively with the economic crisis being experienced on the Island.

Good governance is a prerequisite for economic development. It requires vision, capacity and autonomy. Renewing Cape Breton will require contesting old mind-sets, developing learning-based systems of governance that are more interactive, open, transparent and evidence based. Reformed governance structure is the start of a long journey to economic sustainability for Cape Breton.

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Cape Breton's decline is very serious and if unchecked, will result in a greatly diminished society and economy.

MATTERS OF DISCUSSION

Although there were a number of issues discussed throughout the meeting, outlined below are a few of the key issues.

Population

— An independent analysis estimates that the population of Cape Breton during the period from 2001 to 2021, will decline from 147,454 to 105,158 persons (a decrease in excess of 42,000 persons over 20 years). Within CBRM, the population will decline by more than 30 percent,

which is a loss of more than 33,000 people. This will impact all areas of public service and in all components of the private sector. There will be closure of schools, losses of programs, reduction in the number of political representatives, closures of hospitals, loss of railway, closures of flight service stations, and loss of airport service.

Equalization

— The legal framework for the discussion with respect to Cape Breton Regional Municipality equalization payments is set out in Section 36 of the Constitution of Canada. Section 36(2) deals with the equalization system, federally, and it essentially states, “Parliament and the government of Canada are committed to the principle of making equalization payments to ensure that provincial governments have sufficient revenues to provide reasonable comparable levels of public services at reasonably comparable levels of taxation.”

The first part of Section 36 deals with the commitment of the Government of Canada and the provincial government to promote equal opportunities for the well-being of Canadians and to furthering economic development by reducing disparity and opportunity. As quoted by the Premier of Nova Scotia “equalization is not a bare-handed grab to the haves by the have-nots, it is the constitutional embodiment of equality. In the absence of a true equalization program, citizens of this country will be treated neither equally nor fairly, depending on where they choose to live.”

Further, an excerpt from the Speech from the Throne states, “the objective of the government-federal government, at least - is to ensure that every region of the country has the opportunity to move forward socially and economically on a rising tide of progress.”

Equalization is necessary in Canada. The average household income in Canada was slightly above \$58,000 - \$58,360. The average household income in Nova Scotia was \$48,457. In HRM, the average household income is very close to the national average and in CBRM an average household income is \$39,900.

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— Currently eight provinces – there are only two provinces in the country that do not receive equalization transfers, Ontario and Quebec – are raised to 96.4 per cent of the national average fiscal capacity. The fiscal capacity is equal to \$5,809 per person per province. Despite being raised to this standard, the provinces and territories have agreed that the equalization program is becoming more and more inadequate in its’ ability to achieve the constitutional commitment that is set out in Section 36(2).

Municipal Government

— It is argued that the federal system has no application to municipalities; however, property tax revenues are one of the tax bases that are included in the calculation of equalization transfers annually. The current equalization program for municipalities in this province does not establish

a fiscal standard. The formula used is based upon a group of standard expenditures that cover only a portion of total expenditures through municipalities. The standard expenditures covered represent less than 50% of the total expenditures and many expenditure categories are completely excluded.

— CBRM feels that the Province of Nova Scotia is not fulfilling their part of the agreement although both the federal and provincial governments are committed to the language set out in section 36 of the Constitution.

— One of the interesting features of the municipal equalization program currently in Nova Scotia is, despite the fact that a number of these units are actually above the provincial average in terms of their fiscal capacity, they actually receive an operating grant or transfer from the provincial government in support of their activities.

— To bring CBRM up to the standard for municipal regions and towns in Nova Scotia, it would require an additional \$20 million in revenue annually. This annual deficit represents 21 per cent of CBRM's annual operating budget. Compared to other municipal units, they simply are not able to provide a comparable level of municipal services for a comparable tax burden. Currently, CBRM's residential tax rates are 11 per cent higher than the average for towns and regions in the province, and commercial rates are approximately 21 per cent higher.

Nova Scotia Power Inc.

— According to CBRM, Nova Scotia Power Inc. (NSPI) plays a role in this revenue deficit. The need for equalization revenue would be significantly reduced if CBRM received the property tax being generated in the region, particularly by Nova Power. NSPI is a significant exception from the way commercial enterprises are treated in the province. Most commercial enterprises pay property tax revenue directly to municipal units. In the case of NSPI, property tax revenue is collected by the provincial government and then distributed across municipal units.

— Currently, NSPI is paying approximately \$31.5 million in property taxes. Nova Scotia Power Inc. is paying approximately \$31.5 million in property taxes. CBRM's direct revenue from NSPI is in the order of \$1.9 million to \$2 million annually. Twenty-eight per cent of all NSPI's assets are in CBRM and the province collects \$31 million in property taxes from NSPI. If CBRM were to receive all property tax revenue being generated in the region, they would receive approximately \$9 million annually, and the need for additional equalization payments would be reduced. The annual shortfall from this one source of property tax revenue is approximately \$7 million each year.

— The position of the province has been one where they really have not challenged the specific figures. The province's response has indicated that they are not in the financial position to be able to provide additional funding for the equalization grant; therefore, any changes in the

approach to NSPI taxation or the equalization program must come from current funding levels. The federal government's position is that they believe Nova Scotia is receiving sufficient equalization transfers each year to be able to ensure that all citizens in all regions of the province receive a comparable level of public services for a comparable tax burden.

Furthermore, in the recent governance study, there is an estimate that the province receives something in the order of \$315 million annually in equalization payments from the federal government, based upon the weakness of the Cape Breton economy. Municipal expenditures in Cape Breton account for approximately 12 percent of the provincial and municipal expenditures annually. The provincial average is about 13 percent.

A reasonable share of the annual federal equalization transfer would be about \$38 million annually. CBRM currently receives, along with other municipal units in Cape Breton, about \$17 million in equalization transfer payments from the provincial government each year. This leaves a balance outstanding of about \$21 million.

Funding Options

— The options for CBRM at this time, with respect to municipal financing are: 1) continue discussions with the provincial government on the matter; 2) ignore the matter and reduce services or increase taxes; or 3) review the possibility of initiating legal action against the Government of Nova Scotia, which is what they have already done at this point.

— The issue in this case, according to the legal opinion of Mr. Neil Finkelstein of the firm Blake, Cassels in Toronto, is that Cape Breton has a strong claim for a declaration that the Government of Nova Scotia has breached its commitment under Section 36(2) of the Constitution Act. Section 36 of the Constitution act, 1982 requires the province to use equalization payments, for the purposes of providing all of its citizens with reasonable comparable level of public services and Nova Scotia has not done so.

— CBRM states that the lawsuit is not an effort to separate from NS or to kill a private company like NSPI, it is a case of the municipality getting its fair share of equalization payments to ensure that comparable services/funding provided is afforded to them. CBRM is seeking comparable tax rates and a commitment from the provincial government for a fair share of the equalization payments.

— In the document, "Opportunities for Prosperity", the province indicates that they believe the situation in CBRM is fundamentally different in size and scope from the challenges that other regions and communities have faced. An excerpt from the document states, ". . . the growth fund must evolve, with Cape Breton's input, as a development model in which governments take on a new role of facilitating and supporting communities to solve their own challenges." Despite this, of the \$35 million that Nova Scotia Business Inc. has invested during the past two years in

the province, they have actually provided less than \$120,000 to a total of two projects in Cape Breton during that period of time, which represents about 0.3 per cent of their total resource allocation.

— The growth fund allocation in Cape Breton annually for the next four to five years will be about \$20 to \$30 million. By comparison, total provincial and municipal expenditures in Cape Breton annually is approximately \$1 billion. The growth fund represents 2 to 3 percent of the total allocation, which excludes all private sector activity and the total impact of the federal government.

— Several experts and independent opinions have deemed the situation in Cape Breton as crisis, urgent or very serious. The provincial government has responded that while they thought the economy was robust, they wanted to pursue the issue in a working group. CBRM has set up a working group having two components: one that would deal with municipal financing and the other dealing with economic development including all levels of government and community partners.

DOCUMENTATION

There was no documentation requested by the Standing Committee on Economic Development or furnished by the Cape Breton Regional Municipality, however, the following motion was made and carried by the Standing Committee on Economic Development:

“That the Standing Committee on Economic Development show its support for the CBRM in their Campaign for Fairness by asking the Premier and his two cabinet representatives from Cape Breton and any other appointed officials to immediately begin serious negotiations with CBRM officials aimed at resolving the inequity in funding to CBRM from the provincial government”.

The following documentation was provided to the Standing Committee on Economic Development as a result of the above motion:

4. an expenditure overview conducted by the Nova Scotia Treasury and Policy Board;
5. a copy of the correspondence from the Premier to CBRM officials regarding additional discussions between the Government of Nova Scotia and all levels of government and the community to address the economic challenges facing CBRM.

References to, and within, this transcript can be found on the Nova Scotia Government Web Site at: http://www.gov.ns.ca/legislature/hansard/comm/ed/ed_2004mar09.htm

RICHMOND COUNTY COUNCIL

April 22, 2004

WITNESSES

Richmond County Council

Mr. Louis Digout - Chief Executive Officer
Ms. Gail Johnson - Warden
Mr. Alan MacDonald - Senior Economic Development Officer

INTRODUCTION

Although Richmond County's corporate organization is healthy, it is, however, experiencing all of the modern problems of rural Nova Scotia; those being, out-migration of youth, high unemployment and declining infrastructure.

Much of the business news about Richmond County is focused on Point Tupper, but the county also has a high level of community economic development activity.

MATTERS OF DISCUSSION

Although there were a number of issues discussed throughout the meeting, outlined below are a few of the key issues.

Community Economic Development

— Development Isle Madame arose as a result of the fishing crisis in the mid-1990's. In partnership with the private sector and all levels of governments, Development Isle Madame undertook projects as diverse as community housing to fish farming, while currently tourism is becoming a high priority. In addition to those projects, Development Isle Madame has undertaken infrastructure projects targeted at two high-yield sectors of the industry, eco-tourists and cultural tourists. Their current projects include the Cape Auget Eco-Trail and the Arichat Waterfront Revitalization Project.

Another strong community, Petit-de-Grat which in 1993-94 lost a major fish plant employing 350 people, has succeeded in replacing many of those jobs through innovative partnerships. Some of these are le Centre la Picasse which is an educational and cultural centre that houses, among other things, College de l'Acadie, the municipal library, various government offices and several community/cultural facilities.

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— The harbour continues to be the focal point for initiatives. Two recent projects involve shipbuilding and repair and a major upgrading of the harbour infrastructure by the newly-created Harbour Port Authorities. These projects involve a capital investment of more than \$12 million with unlimited employment possibilities.

— The mainland of the county is also experiencing community and commercial growth. For example, St. Peters has many tourist-type facilities, including a major marina expansion. Richmond County Council has recently partnered with their RDA to hire staff to specifically try to further community economic development activity on the mainland of the county.

Partnerships

— Richmond County Council has assumed a role in providing infrastructure support to its communities. It sees partnerships as a legitimate role for municipal government. Richmond County Council invested heavily in water and sewer systems, but recently their projects have extended to new areas that they think are necessary to respond to current realities.

For example: sponsorship of a broadband infrastructure project in rural areas. The problems with well water in rural areas and instituting waste water management districts and private sector partnerships for land assembly.

— In 2003, Richmond County Council have incorporated Nova Scotia's first tourism marketing co-operative in response to the absence of a well-established tourism sector. Unique to municipal government was the establishment of the oil and gas office in Point Tupper. This involved a partnership with the federal government and was created to respond to opportunities that the council saw in the offshore and with the Strait of Canso port.

— Richmond County Council are strong believers in partnerships; for example, Enterprise Cape Breton has been a strong partner of the council's municipal unit and its communities. Provincial departments and agencies work with the Council on common problems. One of these is a project led by the Department of Health which will replace a nursing home in St. Peters.

Richmond's greatest allies are their municipal neighbours—they believe strongly in inter-municipal delivery. Richmond County Council have assumed leadership roles in the formation of most regional groups that presently exist in the Strait area, including the Strait Area Mayors and Wardens Group established three years ago. The Council strives to participate in and support the efforts of their municipal neighbours through advocacy, political and financial support.

— The co-operation and work carried out by the Strait Area Mayors and Wardens Group have realized economic development opportunities of regional cooperation. Together they are advocating the upgrade of Route 4, better communication between the province and the municipalities with respect to transfer of lands and they are also moving forward with their port master plan.

Infrastructure

— It is important to complete the 100-Series route from River Tillard to Sydney. This route has been designated as part of the national highway system and is in the worst condition of any highway on the Island. The eastern side of Cape Breton and particularly Richmond County is underdeveloped in the tourism industry. This stretch of the Bras d'Or Lakes scenic drive has almost no tourism infrastructure from St. Peters through to Sydney River. Many tourists who

travel it one way refuse to travel it again. Richmond County is one of the area's designated Acadian regions. This summer there will be an increase of traffic on Route 4 during the le Congres Mondial Acadien 2004. Attracting business development along Route 4 is hampered as well by the condition of the road. Without major improvements to Route 4, development will continue to lag behind the rest of the Island.

— The Strait of Canso is now recognized as one of the better industrial ports in the world. It is a world-class ice-free harbour, with year-round deep water access. The area has a large quantity of natural resources such as forest products, gypsum, a good supply of water for industry. There is a well-educated and able workforce in the region and Richmond County's low tax rate provides low operating costs for industry.

— Point Tupper Heavy Industrial Park has the largest concentration of heavy industry in Nova Scotia. Point Tupper industries include Stora, a pulp and paper company; Georgia Pacific, a gypsum facility; the Gulf Oil refinery and a heavy water plant to supply heavy water to the nuclear industry. While the heavy water plant and the oil refinery are no longer operational, the companies have left a legacy of infrastructure at Point Tupper such as a 150 megawatt power plant, buildings and warehouses. The deep water dock and storage tanks previously owned by Gulf Oil were purchased by Statia Terminals who use these facilities for storage of hydrocarbons.

Currently, United States Gypsum has built a 160,000-square foot wallboard plant adjacent to the Georgia Pacific Gypsum trans-shipment facility. Stora has announced plans to expand and invest \$750 million to construct a super-calendared paper plant.

— The development of the Sable Island natural gas fields is a milestone in the economic development of the province. Point Tupper, located 177 kilometres from Sable is well positioned to take advantage of this activity. Sable Offshore Energy completed the construction of a gas fractionation facility for natural gas liquids. Installation of the pipelines under the Strait of Canso brings natural gas to Point Tupper and the gas line also extends to the USG plant. Statia Terminal is well positioned to participate in the emerging oil and gas development projects.

— The Richmond County oil and gas office was established in 2003 to promote Point Tupper and Bear Head as a site for energy-related development. The office works co-operatively with development departments and agencies for studies that will further advance the area in oil and gas development. Point Tupper is well positioned to take advantage of the activity related to gas production. The benefits of the park are already being seen, such as the completion of the construction of a gas fractionation facility for natural gas liquids, and the installation of the

pipelines under the Strait of Canso to bring natural gas to Point Tupper. The natural advantages and infrastructure of Point Tupper continue to attract attention.

DOCUMENTATION

There was no documentation requested by the Standing Committee on Economic Development or furnished by the Richmond County Council

References to, and within, this transcript can be found on the Nova Scotia Government Web Site at: http://www.gov.ns.ca/legislature/hansard/comm/ed/ed_2004apr22.htm

ELECTRICITY MARKETPLACE GOVERNANCE COMMITTEE

May 18, 2004

WITNESSES

Electricity Marketplace Governance Committee (Department of Energy)

Mr. Allan Crandlemire - Manager, Energy Transportation and Utilization

Mr. Scott McCoombs – Energy Engineer

INTRODUCTION

The Electricity Marketplace Governance Committee recommendations go back to the Province's Energy Strategy, which was released late in 2001. In terms of the strategy goals with respect to electricity, it emphasized electricity supply, reliability, competitively priced electricity and environmentally responsible generation of electricity.

The Energy Strategy recommended developing an Electricity Marketplace Governance Committee which would give the government advice on how to implement electricity measures. There was also a commitment made in the strategy to establish an open access transmission tariff and to introduce competition to the wholesale market, those being the six municipalities in Nova Scotia (Canso, Antigonish, Berwick, Mahone Bay, Lunenburg and Riverport).

The Energy Strategy also set a voluntary target of 50 megawatts of renewable energy by the end of 2005. It encouraged development of cogeneration and suggested that a competitive process be introduced for adding new capacity to the system. It also touched on emissions management and identified several different air emissions that were going to be reduced over the coming decade.

MATTERS OF DISCUSSION

Although there were a number of issues discussed throughout the meeting, outlined below are a few of the key issues.

Electricity Marketplace Governance Committee (EMGC)

— Formed in 2002, the purpose of the EMGC was to recommend to the Minister of Energy the implementation, development, structure, economic considerations and rules to introduce electricity competition in Nova Scotia.

The Committee is comprised of seven members with representatives from Nova Scotia Power, the Municipal Utilities, the Canadian Manufacturers and Exporters, the Electricity Consumers Association of Nova Scotia, the Canadian Federation of Independent Business, the Consumers Association of Canada and the Renewable Energy Industry Association of Nova Scotia

EMGC Recommendations

— There were 89 recommendations made by the EMGC. In terms of market scope, (which is how much of the market will be open up to competition), the committee recommended starting out with just opening up the wholesale market, that is the six municipal utilities. The committee also recommended that consideration be given to opening up more of a market to competition, but not until a cost-benefit analysis of that broader opening is completed. It was also recommended that Nova Scotia Power develop and file an open access transmission tariff, that there be a scheduling and information system, and an electronic system so that companies could go onto the system and make reservations for moving their electricity from one point to another and eventually move to full Federal Energy Regulatory Commission compliance - [FERC is the electricity regulator in the United States].

— In terms of new capacity, the EMGC recommended that there be a competitive process, that the Utility and Review board ensures that Nova Scotia Power annually files a long-range plan indicating both long-term and short-term requirements and that NSPI reports on system requirements which would be available for public scrutiny.

— In terms of assessing proposals for new capacity, there would be consideration given not only for capital and operating costs, but also for emission impacts and overall efficiency of the proposed system.

— In terms of renewables, the Energy Strategy had a voluntary target of 50 megawatts by the end of 2005. However starting in 2006 the committee would like to see a Renewable Portfolio Standard that has an absolute requirement for increased renewables in the mix. They proposed increasing the renewables by 5 per cent over the time period from 2001 - 2010. The existing renewables in the mix is currently in the order of 8 to 8.5 per cent, this proposal would push it up to 13 to 13.5 per cent by 2010. It is also recommended that the renewable attributes be separate from the kilowatt-hours themselves.

The currently Energy Strategy is to reduce SO₂ emissions by 25 per cent by 2005 with another 50 per cent reduction by 2010, to reduce NO_x emissions by 20 per cent below 2000 levels by 2009 and to reduce mercury emissions by 30 per cent below 1995 levels by 2005.

— With net metering the EMGC recommended that the maximum be 10 kilowatts and recommended that the maximum increase to 100 kilowatts of capacity, and that Nova Scotia Power develop appropriate connection standards for that size of operation. As well, the excess energy carry-over be kept at 12 months. Net metering, [an interest to rural electricity customers in particular] is generally associated with a customer load. It is meant to be a generator that has a load capacity for satisfying a single need, but using Nova Scotia Power as a battery. An oversupply is to be sold back to the system while an undersupply will draw power away from the system.

— On the cogeneration side, the Energy Strategy and the EMGC put together a system where electricity from cogeneration could be sold under bilateral contracts to all retail customers connected to transmission grids. Currently the only market that is open is to wholesale customers. If a new cogeneration system is put in place or if there are renewables, there is a much broader market opening as far as the ability to sell that electricity to customers.

— To date, the government has accepted the EMGC's recommendations; however, the province is currently drafting new legislation to enable implementation of the EMGC's recommendations.

Greenhouse Gases

— There has been a lot of work done within the department regarding emission controls for power plants whether it be for SO₂ or NO_x reduction or dealing with greenhouse gases. Greenhouse gas emissions are a huge issue from an energy perspective as energy is involved in almost every facet of it. Everyone needs to take action with respect to emission controls; that is industry, cars, houses, turning off computer monitors when not in use, shutting off lights when not in use, using compact fluorescent lights instead of incandescent bulbs, and other such measures.

These measures have to be initiated otherwise there will be an ongoing problem as far as greenhouse gas emissions goes. Even with these measures in place, it will still be a struggle to keep on top of greenhouse gas emissions.

Wind Power Generation

— In today's world renewable resources represent about 8.5 per cent in Nova Scotia's energy resources mix. Wind is obviously the source that is getting the most attention currently and that will grow for several reasons. One, wind is becoming much more competitive with conventional sources of electricity. It is one of the largest growing industries in the world at present, especially on an international basis.

The more it becomes commercially viable, the more competitive it will be. Two, there is one huge limitation with wind, it is not consistent. In terms of new capital for construction and connecting it to the grid, etc, there still have to be other plants to generate power when the wind is not blowing and there will always be a need to have this backup capacity for electrical generation when the wind is not blowing.

DOCUMENTATION

The following documentation was requested by the Standing Committee on Economic Development and furnished by the Electricity Marketplace Governance Committee.

6. Electricity rates for residential and commercial customers of the six (6) municipal utilities and Nova Scotia Power Inc.
7. Follow-up regarding the questions pertaining to the elimination of the general principles of the Rural Electrification Act.

References to, and within, this transcript can be found on the Nova Scotia Government Web Site at: http://www.gov.ns.ca/legislature/hansard/comm/ed/ed_2004may18.htm

SHIPBUILDING INDUSTRY OF NOVA SCOTIA

June 15, 2004

WITNESSES

Shipbuilding Industry of Nova Scotia

Dr. Russell Saunders, MET, P. Mgr., PhD, F.C.I.M. - Consultant

Mr. Timothy Edwards - Executive Director - Nova Scotia Boat Builders Association

Dr. Arthur Theriault - President - A.F. Theriault and Son, Ltd.

INTRODUCTION

There are thousands of Nova Scotians plying their skills to support a marine export business on a national and international scale. In the Municipality of Clare there are about 1,000 people who depend entirely upon the boat building industry and the domestic and foreign markets.

Nova Scotians are innovative and Nova Scotia is probably the only province where a medium-sized boatyard operates its own full-time research and development centre, including a materials testing facility.

MATTERS OF DISCUSSION

Although there were a number of issues discussed throughout the meeting, outlined below are a few of the key issues.

Challenges

— Challenges in the industry: the Quebec Government provides client incentives to build vessels in the province. This incentive is as much as 20 per cent of the entire contract or 40 per cent of the labour costs, whichever is less. Because of this, during the past two years in the Digby County region alone, Nova Scotia has lost over \$12 million to the Quebec yards. That equates to an average of 1.2 million worker hours removed from Nova Scotia's local economy and leaves small boatbuilders scrambling for work in the international marketplace.

— To bid on large contracts or even federal government contracts, builders require a \$20 million performance bond. Small Nova Scotian shipyards cannot obtain bonding facilities required by the federal government to bid on such projects since the insurance companies are no longer

offering such bonding facilities to the small builder who cannot back them dollar for dollar; i.e. the bonding company will issue the bond only if the builder can guarantee it.

The companies that traditionally tender on federal projects can no longer rely upon that client to help stabilize the industry. The spin-off resulting from such a policy is that since the federal government reserves the right to award contracts to Canadian shipbuilders only in cases where competition is evident, they (federal government) reserve the right to go offshore for their vessels. The work that has traditionally supported the regional economy is not only being lost to Quebec, but to builders outside Canada.

Employment Concerns

— The composite side of the industry is experiencing its own glitches. There is objective evidence that the industry is growing and that there is the challenge to provide skilled workers for an industry hiring pool; however, the Nova Scotia Community College has not seriously addressed this issue, except to offer a course costing over \$9,000 a year. Not only is this unacceptable, it is out of reach of the average person. In addition to the other challenges, boatbuilders must bear the cost of training on their own. Since a vibrant industry is measured by its profitability and contributions to the economy, it is no wonder that there is no objective evidence of a shipbuilding industry for the province to build upon.

— Nova Scotia is supporting its boat building industry to the best of its ability, but it is still missing the mark, and if nothing is done soon, it will miss out entirely. There are innovations and designs right here in Nova Scotia that could put the province in first place in the global boat building and patrol boat building industry.

Shipbuilding Industry Recommendations

— It was suggested by the organization that a marine secretariat be created with a mandate to recommend remedial action and present solutions for the future of the industry.

The secretariat would be responsible to and for making due process more efficient and effective; making more readily available financial and bonding facilities; influencing community college officials in creating strategic trade development for this industry, including advanced composites training; negotiating better export opportunities with offshore economic zones, such as Carricom, Chile, etc.; providing an organized and effective approach to commercialization and the innovations for the shipbuilding industry; and creating a fast-track agency to address the day-to-day challenges that affect the industry.

— Nova Scotia has the potential to create the most advanced and profitable marine industry in the world, but it must be definitive, decisive and determined to succeed in this venture of the future of boat building.

Shipbuilding Tariffs on Foreign Vessels

— Under NAFTA the Jones Act was excluded meaning that Canada is not permitted to build commercial vessels for the U.S. but the U.S. can build ships for use in Canada. The Jones Act was established to help the American shipyards and boat yards protect their economies so that no one else could build commercial vessels and send them to the U.S.

— Under the European Free Trade Agreement, the Shipbuilding Tariff that is in place on foreign-built vessels there is an indication that Canada may potentially be able to eliminate the 25 per cent tariff on foreign-build ships. Canada has tried to negotiate a trade deal with EFTA; however the talks have been stalled because Norway wants Canada to remove the 25% tariff imposed on foreign vessels. Canadian Shipbuilders are against removing the tariff because Norwegians could then export supply ships to Canada and out-compete local industry.

DOCUMENTATION

There was no documentation requested by the Standing Committee on Economic Development or furnished by the Shipbuilding Industry of Nova Scotia.

References to, and within, this transcript can be found on the Nova Scotia Government Web Site at: http://www.gov.ns.ca/legislature/hansard/comm/ed/ed_2004jun15.htm

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STATEMENT OF SUBMISSION

All of which is respectfully submitted to the House of Assembly
this ____ day of _____, 2004

Mr. Russell MacKinnon, MLA (Chairman)
(Cape Breton West)

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

Mr. Charlie Parker, MLA
(Pictou West)

Mr. Bill Dooks, MLA
(Eastern Shore)

Mr. David A. Wilson, MLA
(Sackville-Cobequid)

Dr. Mark Parent, MLA
(Kings North)

Mr. Wayne Gaudet, MLA
(Clare)

Mr. Howard Epstein, MLA
(Halifax Chebucto)

Mr. Harold Theriault, MLA
(Digby-Annapolis)

Committee Membership

During the First Session of the 59th General Assembly of the House of Assembly, the Standing Committee on Economic Development was comprised of the following members:

Mr. Russell MacKinnon, MLA (Chairman)
(Cape Breton West)

Mr. Charlie Parker, MLA
(Pictou West)

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

Mr. David A. Wilson, MLA
(Sackville-Cobequid)

Mr. Bill Dooks, MLA
(Eastern Shore)

Mr. Wayne Gaudet, MLA
(Clare)

Dr. Mark Parent, MLA
(Kings North)

Mr. Harold Theriault, MLA
(Digby-Annapolis)

Mr. Howard Epstein, MLA
(Halifax Chebucto)

Committee Meetings

The Standing Committee has been meeting on Tuesdays since its establishment, and all meetings are open to the public. During the First Session of the 59th General Assembly the Standing Committee on Economic Development has met on the following dates:

October 28, 2003
November 25, 2003
December 18, 2003
January 13, 2004

March 9, 2004
April 22, 2004
May 18, 2004
June 15, 2004

February 10, 2004

Notices

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

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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/legislature/COMMITTEES/index.html

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 presenter who made presentations before the committee; all Legislative Libraries, 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.

Acknowledgements

The Standing Committee on Economic Development wishes to extend its gratitude to the following:

Representatives of the Nova Scotia Nominee Program, the Metropolitan Immigrant Settlement Association, Citizenship & Immigration Canada; Nova Scotia Business Inc.; Emergency Measures Organization, Environment Canada (Canadian Hurricane Centre); Capital Transportation Authority; Cape Breton Regional Municipality; Richmond County Council; Electricity Marketplace Governance Committee (Department of Energy); and representatives of the Shipbuilding Industry of Nova Scotia. Special thanks goes to the following for

their time and consideration: Mr. Robert Kinsman, Manager of Hansard; Hansard Staff; Mr. James McInnis, Co-ordinator, Legislative Television; Legislative Television Staff; Mr. Michael Laffin, Co-ordinator, House of Assembly Operations; House of Assembly Staff; and to Margaret Murphy, Legislative Librarian and Library Staff.

Appendices

- A) **Nova Scotia Business Inc.**
 - A statistical analysis on the population trends in rural Nova Scotia
 - A breakdown of jobs by growth sectors

- B) **Emergency Measures Organization**
 - Status Report - Hurricane Juan Disaster Financial Assistance Program

- C) **Cape Breton Regional Municipality**
 - An expenditure overview conducted by the Nova Scotia Treasury and Policy Board
 - Correspondence regarding additional discussions between the Government of Nova Scotia and all levels of government and the community to address the economic challenges facing CBRM

- D) **Electricity Marketplace Governance Committee**
 - Electricity rates for residential and commercial customers of the six municipal utilities and Nova Scotia Power Inc.
 - Follow-up correspondence pertaining to the elimination of the general principles of the Rural Electrification Act

