



Crown Corporation

B U S I N E S S P L A N S

FOR THE FISCAL YEAR 2012–2013

Nova Scotia Business Incorporated

Business Plan 2012–2013

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Message from the Minister, Chair, and President and CEO

Having followed through with the *jobsHere* plan for our economy, Nova Scotia took additional strides forward in 2011. The past year has seen the creation of the Nova Scotia Jobs Fund, and ERDT has worked collaboratively with NSBI and other departments and agencies to develop the Workforce Strategy, the Productivity and Innovation Strategy, and the International Commerce Strategy.

Given the current economy, increased competition, and depleting budgets, the province must ensure Nova Scotia companies succeed and grow, while continuing to attract new, inward investment.

To achieve results under *jobsHere* and ancillary strategies, NSBI has a key leadership role to play. The 2012–2013 business plan focuses on the following priorities:

- driving results through strategically identifying and targeting opportunities
- sector development
- quality-focused pipeline development and management
- maximizing client growth and sustainability
- improved responsiveness to business
- establishing an integrated service team

The NSBI team strives for performance excellence while remaining focused on achieving our business priorities. Transparency and attention to detail are at the core of our business approach—offering value and exceptional service to clients.

In 2012–2013, the NSBI team will work proactively to bring Nova Scotia businesses to the world and attract global investment to Nova Scotia. We must work directly with businesses and partners to achieve results for the province and grow Nova Scotia's economy.

Sincerely,

Percy Paris
Minister of Economic and Rural Development and Tourism

Jim Eisenhauer
Chair of the Board, Nova Scotia Business Inc.

Stephen Lund
President and CEO, Nova Scotia Business Inc.

Mission

Through business development, NSBI drives a strong, prosperous, and globally competitive Nova Scotia.

Vision

As Nova Scotia's private-sector-led business development agency, Nova Scotia Business Inc. (NSBI) works with businesses to help them grow and prosper. NSBI attracts new companies to Nova Scotia and helps local companies meet their growth potential through global business development, financing, and venture capital.

NSBI's vision:

To proactively deliver business development solutions that drive value to our clients and contribute to the economic growth of Nova Scotia.

NSBI's mission and vision are aligned with *jobsHere*, the province's economic plan released in 2010. NSBI's business development operations are key to delivering results and supporting the success of this plan.

NSBI will focus its resources on delivering mandate-specific initiatives related to the three priorities of *jobsHere*.

Mandate

NSBI is the business development agency for the Province of Nova Scotia. In conjunction with its partners, NSBI works directly with Nova Scotia businesses to bring them to the world and attract global investment to our province. Through a proactive approach, NSBI delivers results that directly contribute to Nova Scotia's economic growth. This is accomplished through

- working to leverage new, inward investment to the province to further business growth, product development, market expansion, and export potential
- NSBI will be the first point of contact for all commercial entities requiring business financing, with the exception of major industrials and operations of regional significance or strategic importance to the province
- supporting existing business development, retention, and expansion
- proactively attracting new investment into the province through foreign direct investment (FDI), strategic venture capital partnerships, and foreign owned expansion/growth
- assisting companies engaged in international commerce
- marketing Nova Scotia's business environment internationally



NSBI was created in 2001 to be Nova Scotia's business development agency, guided by a private-sector board of directors, to take a fresh approach to improving the economic opportunities available to all Nova Scotians. NSBI works to strengthen businesses, attract investment, and help them grow in Nova Scotia. Recognizing the state of the global economy and the province's fiscal challenges, NSBI believes its board of directors provides an effective decision-making and adjudication model.

In 2007, NSBI introduced its second five-year plan, outlining how the organization would continue to work with businesses and partners to provide business advice, business financing, and venture capital and to identify new opportunities through trade development and investment attraction.

NSBI's key accountability metric has evolved. The original focus was on the creation and maintenance of jobs; as was outlined in its second five-year plan, NSBI was focused on the total payroll created and retained by clients. In its third five-year plan, NSBI will focus on maximizing investment impact.

NSBI works with the Department of Economic and Rural Development and Tourism (ERDT) and other economic development organizations to provide programs and services that support businesses across the province. In doing this, NSBI is committed to

- attracting the right type of investments
- supporting business in creating employment for Nova Scotia's highly skilled workforce
- assisting Nova Scotian businesses in becoming more productive, competitive, and profitable

As NSBI continues to deliver results against its strategic plan, the agency continues to work with local and international companies to ensure they are innovative, productive, and competitive, resulting in higher-value jobs. All of these efforts combine to generate direct economic benefit leading to long-term, sustainable economic prosperity.

Planning Context

The world economy has moved to a higher level of uncertainty. Last year saw natural disasters, political instability, and sovereign debt issues affect national and world economies. This level of uncertainty has not diminished. Political instability and sovereign debt issues continue. Central banks are walking the fine line of historically low interest rates to stimulate domestic demand and trying to keep the rates from being too stimulating for inflation and personal debt levels. Worldwide, governments have moved away from stimulus spending and towards fiscal restraint.

With increased integration of the world economy and the pace of technological advancements, the Nova Scotia economy has been and will continue to be impacted. Nova Scotia is responding to this uncertainty by concentrating on core areas as outlined in *jobsHere, the plan to grow our economy*, released in November 2010. *jobsHere* has three interrelated priorities: learning the right skills for good jobs, growing the economy through innovation, and helping businesses be more competitive globally. These priorities are being further articulated in strategies such as Nova Scotia's Workforce Strategy, released in fall 2011.

Through the *jobsHere* plan, strategies have been and are being implemented that will improve innovation across all sectors and focus on strategic investments in innovation and productivity, increasing our competitiveness and creating higher-value jobs. By aligning investment, trade, and innovation priorities and focusing resources on key sectors, there are more opportunities for economic growth. *jobsHere* outlines specific activities that assist in developing a highly trained workforce and creating jobs and a secure future for Nova Scotians. *jobsHere* is a clear commitment from the Nova Scotia government to doing things differently in order to make life better for Nova Scotians. The plan supports all areas of the province and all sectors of the economy, meaning we all have a part to play.

As we move forward to a new fiscal period, the following are the top challenges affecting NSBI:

- We face a reduced operating budget to effectively realize business growth opportunities and support economic strategy.
- With only 1 in 34 Nova Scotia companies exporting, compared to the Canadian average of 1 in 23, Nova Scotia companies need to become more internationally focused in order to be competitive and successful in the future.
- Nationally and internationally, jurisdictions have placed greater emphasis on attracting inward investment. These jurisdictions are using aggressive incentives, tax concessions, or other tools to attract targeted companies.
- Once companies are attracted to Nova Scotia the incentive offered cannot be the only anchor to the province.

However, the following opportunities exist to be more strategic in how we address our challenges:

- Better coordination and delineation of service delivery across government will increase alignment and efficiencies in order to maximize opportunities with clients.



- Under the province's new approach to international commerce, NSBI will have access to a broader set of resources to assist companies grow, diversify their current markets, trade internationally for the first time, and become more competitive through global trading.
- NSBI can leverage the full suite of provincial economic development offerings.
- NSBI needs to strategically focus and commit resources to companies that will yield the greatest economic benefit to the province and solidify their operations through helping companies invest and grow their operations in the province long-term. The competitiveness of Nova Scotia must be demonstrated through its business costs, workforce, universities and colleges, and supply chain.

Nova Scotia Business Challenges

NSBI has also considered these additional key business challenges or trends during the development of its 2012–2013 business plan:

- New investments or expansion projects began trending upward in 2010 by 2 per cent, after a sharp decline experienced globally in 2009. While positive, the trend that started in 2010 is still significantly short of the 2008 peak for new global investments or expansion projects. Amid this weak

trend, competition to attract targeted companies to invest or expand has become greater since 2008 as provinces, states, and other jurisdictions respond to the recession by using Foreign Direct Investment (FDI) to stabilize and reverse negative growth in their communities.

- High-value companies, such as the ones Nova Scotia is targeting, look for four key criteria when deciding to invest or expand: availability of skilled labour, scalability (ability to grow), business costs (including labour), and available incentives. Depending on the sector, Nova Scotia may be at a disadvantage in being competitive in any one of these areas.
- Emerging markets such as those of Brazil, Russia, India, China, and Southeast Asia now attract a higher percentage of global investment dollars.
- The majority of Nova Scotia's international trade customers live in the northeastern United States. This region has been the mainstay of Nova Scotia's trading economy for generations. Approximately 75 per cent of Nova Scotia's exports head to the US, with Europe being a distant second.
- Although the higher value of the Canadian dollar creates opportunities for Canadian-based operations to make foreign acquisitions or reduce costs on internationally sourced inputs, an increase in the value of the Canadian

dollar can increase the cost of doing business in Nova Scotia, which can lead to a decline in competitiveness for foreign direct investment and exports from the province.

- Nova Scotia had five companies acquire Venture Capital financing in 2010, worth a total of \$10.4 million (Canada had 357 companies acquire Venture Capital financing in 2010, worth \$1.13 billion). Nova Scotia contributed 2.2 per cent to Canada's GDP in 2010 yet accounts for only 0.9 per cent of Venture Capital activity in Canada.
- Nova Scotia's productivity is 75% of the national average; as well, growth in machinery, equipment, and ICT expenditures are not keeping up with the national average.
- Some companies are experiencing shortages in key skills across a variety of sectors. These shortages range from traditional trades to information technology (IT). Companies competing globally, or planning to, require highly-skilled individuals to lead them through the challenges of international commerce.
- With federal and provincial governments committed to eliminating their deficits by the fiscal year 2014–2015, government spending growth is expected to run below 1 per cent over the forecast.

Demographics

The Nova Scotia population has remained relatively stable, growing 0.8 per cent from 2006 to 2011, at the same time the Canadian population grew 5.9 per cent. This was the second lowest increase in the country, as Newfoundland and Labrador grew only 0.1 per cent. Like Canada, Nova Scotia has found that net international migration has been the strongest source of population growth. Nova Scotia's July 1, 2011 population was estimated to be 945,437. The Nova Scotia Department of Finance population forecast has Nova Scotia's population remaining relatively stable over the next five years.

There are two trends that have implications for the economy. The first is the ongoing urbanization of population. This is a worldwide trend and Nova Scotia is not immune to it. Interprovincial migration has resulted in people moving to the Halifax Region from other economic regions in the province.

The second trend is the aging of the population. The baby boom that helped swell the labour force in the past decade is now aging. The leading age of the baby boom reached 65 in 2011. In Nova Scotia over 90 per cent of the labour force is drawn from the population 18–64. By 2017, this population is projected to decline by 27,200. In 2011, the Nova Scotia labour force declined 2,200 to 496,600. To maintain provincial tax revenue to support



government services, our workers of the future must be working at higher-paying jobs in sectors that are competitive in the global market.

Nova Scotia Business Opportunities

NSBI has also considered these additional key business opportunities or trends during the development of its 2012–2013 business plan:

- Regional projects provide great opportunity for Nova Scotia companies to engage in local and global supply chains and also provide a springboard or platform for enhancing FDI, innovation, and productivity investment. Major projects expected in the region include the following:
- Capital spending related to the \$25 billion 30-year shipbuilding contract awarded by the federal government in October to Irving Shipyard is expected to begin in 2012.
- The Deep Panuke offshore natural gas project is scheduled to come online in the second quarter of 2012, providing a significant boost to natural gas production.
- In 2013 construction on the \$1.2 billion Maritime Transmission Link (as part of the Lower Churchill Project in Labrador) will ramp up. This project is expected to create 2,700 person-years

of employment (indirect and direct) in Nova Scotia and in Newfoundland and Labrador over a 30-year period.

- Almost 4 in 10 jobs in this province are dependent on international commerce. The value of our trade with other provinces and the rest of the world surpasses the total income earned by Nova Scotians. International exports and imports alone equal, on average, about 54 per cent of Nova Scotia's gross domestic product. Focus on increased international commerce will continue to present opportunities to increase provincial economic growth.
- FDI also has considerable impact on productivity and innovation. Foreign firms are generally more productive and spend more on R&D, than their domestic counterparts. We must explore how to further increase the impact of FDI.
- Currently, Nova Scotia's international commerce activities take place mainly within North America (75% of Nova Scotia exports go to the United States).
- Although Europe's inward trade role (imports and investment) is growing rapidly, Nova Scotia's outward trade activities with Europe have been declining. Current EU trade negotiations will provide increased opportunity for Nova Scotia companies to grow their share of this market.

- Nova Scotia's international commerce activity with Asia is minor, despite rapid growth in Asian countries—again, presenting an opportunity for the province.
- Free trade and globalization have created significant changes in the way global markets operate, forcing Nova Scotian companies to adapt to the ever-increasing pace, scale, and complexity of globalization in order to realize the opportunity it presents. Cost reductions in communications and transportation and the emergence of new technologies have enabled firms of all sizes to market their products and services internationally. This has increased the scope and scale of competition but also of opportunity. Adjusting to this new international marketplace requires that firms change the way they approach business and operate.
- An increased provincial focus on global value chains (GVC) driven by global trends will provide exciting opportunities for companies to grow internationally. Whether selling components or services into a GVC, establishing international operations, sourcing manufacturing inputs, or meeting international supply chain standards, the value chain model is one with which all companies must become familiar in order to thrive internationally. NSBI will support companies in meeting international standards and certifications in order to participate in GVCs.
- By collectively focusing on high-value, high-growth sectors, NSBI can identify FDI and sectorial synergies that create new investment and trade opportunities for domestic companies.
- Venture capital investment offered through government agencies is critical to Nova Scotia's overall focus on innovation. Public-sector venture capital attracts additional national or international private-sector investment to our targeted companies. Venture capital is also another mechanism to attract new investment and innovation into the province.
- With external factors continuing to pose threats to Canada's economic growth, the Bank of Canada is likely to remain cautious about raising interest, providing favourable conditions for companies to invest in technology and in research and development.

State of the Economy

NSBI considered the following key economic risk factors during the development of its 2012–2013 business plan:

- Global economic activity is expected to decline moderately, with consensus among Canada's five major banks forecasting worldwide 2012 GDP growth at 3.3 per cent, compared to 3.8



per cent in 2011. This performance is expected because of a number of factors: increasing fiscal tightening in many advanced nations, prior credit restraint in some key developing countries, and the effect of the eurozone's debt crises on international trade and credit. In January 2012 S&P downgraded several eurozone countries. While Germany managed to hold onto its AAA rating, France and Austria lost their AAA status and joined the United States with a rating of AA+. Spain and Italy were both downgraded, while the downgrade to Portugal stripped it of its investment grade standing.

- The consensus of Canada's five major banks forecast Nova Scotia's 2011 GDP growth at 1.5 per cent, while the forecast national GDP growth was 2.3 per cent. The economic view for Nova Scotia is slightly more optimistic in 2012, with forecast GDP growth at 1.7 per cent, while Canada is expected to grow by 2.0 per cent. This modest increase is expected to occur because of major projects in the province, such as the Shipbuilding contract.
- For at least the last 24 months in Nova Scotia, monthly employment has shown no discernable trend. However, on an annual basis, the Nova Scotia economy has recovered from the employment loss of the recession that began in 2008, with employment

in 2011 being 800 above the 2008 level. Overall, employment numbers mask an ongoing restructuring in the Nova Scotia economy, as the share of natural resources and manufacturing employment has declined as these sectors have been influenced by global trends.

Strategic Goals

In collaboration with its partners and consistent with NSBI's next five-year plan and *jobsHere*, NSBI will continue to support its core focus of working directly with businesses to deliver results for the province. NSBI's four key strategic pillars and goals will play important roles in shaping the province's economic growth over the coming years. NSBI's four key strategic pillars and goals are

Results and impact—To maximize the contribution NSBI and its clients have to the overall economic prosperity of the province of Nova Scotia

Client success—To have our clients consistently rate the relationship with NSBI as integral to their success

Operational effectiveness—To develop a culture of continuous improvement

People—To have an engaged high performance team with the right expertise and capabilities, empowered to achieve the organization's goals

Core Business Areas

NSBI's core focus is to work directly with businesses and partners to deliver results for the province. To achieve this, the agency offers client-focused solutions through its core business expertise: trade development, business financing, venture capital, and investment attraction. These units are supported through NSBI's remaining business units corporate strategy and intelligence (CSI), marketing and communications, human resources, corporate services and corporate office.

NSBI's core business functions are proactively focused on business development. These divisions work in concert to achieve NSBI's goal of bringing business to the world and attracting global investment to Nova Scotia. As a key delivery agent for the province's International Commerce Strategy, NSBI's focus in the international arena—making companies more competitive globally and attracting FDI to the province. NSBI also works with export focused companies in Nova Scotia, providing access to capital and leveraging new inward investment to the province to further business growth, product development, market expansion and export potential.

Business units such as corporate strategy and intelligence (CSI), marketing and communications provide support functions to both domestic business development and

international commerce. These functions also provide direct client support, offering critical intelligence as well as advice on positioning and messaging.

Business Financing

The NSBI business financing team uses its knowledge of local industries, priority sectors and financial assistance structuring to provide solutions to Nova Scotia companies focused on competitiveness, productivity, growth and expansion. Solutions may include loans, guarantees, trade-related financing, and payroll rebates (see appendix 1) to companies in Nova Scotia.

NSBI financing, is designed to supplement other products in the marketplace that might not fully meet the needs of companies. Trade financing assists Nova Scotia companies to deliver on export related opportunities. Payroll rebates offered by business financing are used to incent incremental growth of Nova Scotia owned companies to encourage local growth, and supporting companies in priority sectors. NSBI's business financing experts are also active in the promotion and application assessment of ERDT's Productivity Investment Program (PIP), announced in December 2010. This program is designed to encourage businesses to become more productive, innovative, and globally competitive.



Venture Capital

Since starting in 2002, NSBI Venture Capital has invested in 16 companies and currently manages over \$48 million in capital. NSBI provides investments from between \$1 million to \$15 million with co-investors to assist companies throughout the province to further business growth, product development, and market expansion. NSBI Venture Capital's strategic investment focus is in mid- to late-stage market opportunities ranging from the life sciences to diverse opportunities in the multi-media, IT, and aerospace sectors.

NSBI Venture Capital actively invests in companies with a sustainable competitive advantage, truly disruptive technology, strong management team, and measurable sales based on high-growth revenue models. The Venture Capital team provides capital, strategic direction and advice to help promising companies achieve their full potential and provide a return on the invested capital. NSBI's Venture Capital practice is a complement to Innovacorp investments and offers a continuum of investment for innovative companies who have demonstrated potential for further growth.

Trade Development

NSBI's trade development team is focused on helping Nova Scotia companies be more competitive globally. Organized by sector, with geographic sub-specialties, the trade

development team works with businesses, universities and institutions throughout the province that have an exportable product, service or technology, or a need for sourcing external capital or inputs.

Partnered with provincial and federal government departments, agencies and industry associations, NSBI's Trade Development team is focused on taking companies to global markets to meet with potential buyers, partners, or suppliers. This year will see an increased focus on the development and implementation of market diversification plans, and market entry strategies for selected markets through the use of the Trade Market Intelligence (TMI) service.

Over the past few years, NSBI trade development executives have worked closely with new exporters, encouraging them to diversify trade outside of provincial borders. Specifically, outreach through initiatives such as the ACOA Nova Scotia/ NSBI In-Market Education Missions, Trade Team Nova Scotia's Export Rallies, Doing Business in...sessions, and NSBI's leadership of the provincial Export Achievement Awards have exposed many new companies to the opportunities presented by international trade.

Another key area of focus for NSBI trade development is working with Nova Scotia businesses to track and pursue opportunities with International Financial Institutions (IFIs) such as the World Bank, the Inter-

American Development Bank, the African Development Bank, and the Caribbean Development Bank. NSBI subscribes to procurement databases and facilitates access to them through its IFI Resource Centre. NSBI is also home to the province's Private Sector Liaison Officer (PSLO) to the World Bank. This position serves as liaison between the private sector in the province and the IFIs, particularly the World Bank.

The NSBI trade development team also supports government departments and agencies that have products and services of interest to foreign markets, to help them prepare their products for sale and connect with potential buyers in these markets.

Investment Attraction

The NSBI investment attraction team comprises sector-focused specialists who attract sustainable, export-oriented, and value added business investment to the province.

In pursuing this goal, NSBI takes an aggressive, targeted, opportunity-driven approach to attract FDI and expanding businesses that have a strong fit with Nova Scotia's key assets and strategic sectors. NSBI investment attraction specialists proactively promote the competitive advantages of doing business in Nova Scotia and validating the client business case to invest. To compete for this investment Nova Scotia must offer incentives. One such incentive is the payroll rebate, a performance-based

incentive offered to eligible companies expanding in, or locating to Nova Scotia (see Appendix 1). The advantage of this incentive is that it only pays out to the company after they have fulfilled their job growth, salary and investment commitments. NSBI's investment attraction team leverages the full suite of provincial economic development offerings to deliver the ideal client solution that best supports the client's business case and the provincial economic benefit.

The investment attraction team works closely with the trade development team to identify and leverage joint opportunities internationally such as conferences and investment forums. The two teams also work together to ensure that export-oriented domestic companies are positioned to partner or supply goods and services to international companies attracted to the province.

The NSBI investment attraction team also works directly with ACOA, DFAIT, ERDT and other government partners to attract inward investment to Nova Scotia. NSBI uses the entire provincial business development toolkit to remain competitive with other competing jurisdictions.



Priorities for 2012–2013

NSBI will release its next 5-year plan in September of 2012. Structurally, the plan outlines four strategic pillars and goals that will guide its operation between 2012 and 2017. Underpinning each pillar are 5-year strategies that focus the organization on achieving its goals, resulting in significant economic impact to the Province of Nova Scotia. Each of these strategies has alignment with the priorities of the current fiscal year and will direct NSBI's activity accordingly.

The first year of our 5-year plan will focus on developing the foundation elements required to achieve NSBI's strategic goals and support the success of the provincial economic strategy, *jobsHere*. This transition year in planning will allow a comprehensive evaluation of the last five years, and further refining of the five-year plan will be reflected in next year's business plan. NSBI will continue to build on the work and success of the past ten years, with increased emphasis on its core values: creativity, accountability, professionalism, and excellence.

In order for NSBI to more effectively achieve its strategic goals and support the implementation of *jobsHere*, the following key priorities have been identified:

A. Driving results through strategically identifying and targeting opportunities

NSBI's differentiator is its client-centric model. This approach to business development over the past 10 years has led to increased provincial investment, jobs, and payroll growth, as well as to more productive and competitive domestic businesses. Increased competition for investment, talent, and market share requires NSBI to focus its limited resources on opportunities that will have the greatest positive economic impact. It will be accomplished through:

1. Sector development in Nova Scotia will continue to be a key priority for NSBI and its partners. NSBI must be targeted, focusing on sectors and assets that can be leveraged to achieve maximum results. In order for Nova Scotia to be successful in growing and developing these sectors it must continue to address the following key business needs: availability of skilled labour, scalability (ability to grow), business costs (including labour), and available incentives.

NSBI Key Business Sector Focus:

- Financial Services—Insurance/Fund Administration
- Defence, Security, and Aerospace
- Information Technology
- Gaming/Interactive Media
- Life Sciences

- Ocean Technology
- Clean Technology
- BPO/KPO/Shared Services
- Manufacturing

In 2012–2013 NSBI will

- continue to collaborate with ERDT on the development and implementation of provincial-sector strategies and action plans
- collaborate with government partners to support the development of better labour market information, which will influence Nova Scotia's value proposition and the competitiveness of specific sectors
- connect its clients to university research initiatives and innovation partnerships to support further research and development investment
- work with its partners to map and analyze Nova Scotia's unique assets, identify specific investment targets, and enhance the provincial value proposition

2. Quality-focused pipeline development and management will be a key priority for NSBI and its partners. Through a strategic sales process NSBI will identify and develop opportunities and ensure their alignment with the provincial government's goals and objectives.

In 2012–2013 NSBI will

- enhance the criteria to identify high-potential clients for business finance, trade, and investment attraction to target
- conduct analysis and modeling of existing client success factors and decision criteria to enhance client business cases and Nova Scotia positioning
- focus on high-priority markets for FDI inflow and export prospecting
- identify supply-chain gaps within major economic projects (e.g. shipbuilding)
- enhance a Nova Scotia Ambassadors program to refer opportunities and create greater awareness of Nova Scotia's value proposition
- actively engage in-market consultants
- lever anchor companies and the domestic supplier base to attract investment

3. Maximizing client growth and sustainability in Nova Scotia will be an important focus for NSBI in 2012–2013 and over the next five years. NSBI and its partners want to attract, grow, and retain companies that will yield the greatest economic benefit and solidify their operations through helping companies to invest and grow in the province long-term. In order for this to happen, companies must choose Nova Scotia based on competitive business costs, workforce, universities and colleges, and supply chains.



In 2012–2013 NSBI will

- harvest existing foreign direct investment for incremental growth and investment (head office visitation program)
- support international commerce by providing customized market intelligence for Nova Scotia businesses on products or services in markets of interest
- analyse top FDI clients by region and develop a long-term strategy with key partners to ensure their growth and sustainability in the province; leverage key economic growth projects/contracts and clients to further develop supplier base and identify opportunities to expand into global supply chains
- facilitate provincial adoption/engagement of new FDI clients to encourage community engagement leading to great corporate citizens
- support companies to partner with and leverage the innovation capacity of Nova Scotia-based FDI companies and universities
- explore ways to help FDI clients to grow by investigating business development opportunities in foreign markets through export activity (Assisting FDI companies to attract contracts to their Nova Scotia operations will solidify their investment in this province and help them fulfill their growth mandate. This level of support on the ground helps further distinguish the province's offerings from competing jurisdictions.)

B. Improved responsiveness to business is crucial for NSBI to meet its clients' needs and expectations. Whether it's a working capital loan, market intelligence, or business development incentives in order to add business value and respond to client and market needs, improved response times are required.

In 2012–2013 NSBI will

- undertake a process improvement review to more accurately respond to business needs in all of NSBI's business units
- set realistic and measurable timelines concerning the transaction process in order to appropriately manage client expectations
- conduct a post-transaction review to ensure process was conducive to business needs and to determine if further process improvements are required
- share information learned and observations with partners across the system

C. Establishing an integrated service team will enable NSBI to effectively leverage provincial resources. Better coordination and delineation of service delivery across government will increase alignment and efficiencies in order to maximize opportunities with clients.

In 2012–2013 NSBI will

- identify programs and support-gaps
- establish an Innovacorp/NSBI graduate program to ensure effective support to new innovative companies

- support partners in tailoring programs and aligning resources by sharing client requirements and intelligence

D. Through Organizational Development

NSBI will be ready with a flexible Human Resource Strategy to tackle the complexities of these priorities, ensuring our people are working towards performance excellence by being creative, professional, and accountable.

In 2012–2013 NSBI will

- adapt our organizational structure to better facilitate a client services culture by regrouping tasks to create well-designed jobs
- using an integrated performance management process, review and adjust key performance indicators to ensure that we are encouraging and rewarding the right behaviours to drive superior results while being efficient
- continue to develop and train staff to take on new roles and to prepare them for future opportunities within the organization



Budget Context

By absorbing inflationary pressures and functioning with a reduced operating budget, NSBI must continue to find efficiencies so that results are not negatively affected.

	Estimate 2011-12 (\$ 000)	Forecast 2011-12 (\$ 000)	Estimate 2012-13 (\$ 000)
Revenue			
Provincial grants:			
Operating grant (note 1)	10,695	10,308	9,994
Strategic Investment Funds	14,947	12,027	15,563
Loan valuation allowance	2,037	2,037	2,017
Gain on sale of parks	335	443	467
NS Business Fund expenses: loans	7,263	6,714	6,845
NS Business Fund expenses: parks	127	175	337
Miscellaneous revenue	1,541	2,161	1,520
	36,945	33,865	36,743
Expenses			
Operating expenses	12,236	12,469	11,513
Strategic investments	14,947	12,027	15,563
Provision for credit losses	2,037	3,673	2,017
NS Business Fund expenses: loans	5,976	5,495	5,574
NS Business Fund expenses: parks (note 2)	1,004	1,734	1,338
	36,200	35,399	36,005
Excess of revenue over expenses	745	(1,533)	738

Notes:

(1) The 2011-12 status quo budget to be transferred to Department of Economic and Rural Development and Tourism effective April 1, 2012 to fund the Business Advisory Services division. Division now falls under the department.

(2) The 2011-12 budget has been restated to capture the impact of the adoption of PSAB rules by NSBI effective April 1, 2011. An offsetting expense representing transfer payments is now required to be booked to recognize the net proceeds of sale of assets remitted to the province. Previously such remittances were booked as balance sheet items because they flowed to the Province in the form of a dividend.

Outcomes and Performance Measures

NSBI holds itself to the highest standards of corporate governance and accountability. As a results-driven organization, NSBI remains committed to measuring results that directly affect the goals of the organization. Under its five-year plan, NSBI's key accountability metric will be built around its four key pillars: Driving Results and Impact, Operational Impact, Client Success, and People and Pride.

In 2012–2013, NSBI will continue to focus on helping its clients generate high-value opportunities. In doing so, NSBI will assist in creating corporate and personal taxes for the Province of Nova Scotia.



Outcomes and Performance Measures

Core Business Area 1 Investment Attraction

Attract and grow leading-edge, sustainable business investment

Outcome	Measure	Base-year Data 2010-11	Targets 2012-13	Trends	Strategies to Achieve Target
Client investment in Nova Scotia	Number of projects committed by Investment Attraction clients	n/a	12	2008-09: 10 2009-10: 13 2010-11: 7 2011-12F: 9	Seek new sustainable businesses to relocate or expand in Nova Scotia
Economic benefit to Nova Scotia	Average gross salary of new jobs forecasted to be created by Investment Attraction clients ¹	n/a	\$45,000	2008-09: \$48,117 2009-10: \$44,071 2010-11: \$51,316 2011-12F: \$42,000	Attract and grow sustainable, export-oriented, and value-added business investment
Fiscally prudent financing	Forecasted average portfolio return on investments (ROI) utilizing strategic investment funds (SIFs) ²	n/a	40% or greater	2008-09: 70.1% 2009-10: 56.9% 2010-11: 47.9% 2011-12F: 40% or greater	Strategic utilization of payroll rebates to establish growth industries

¹ Average gross salary includes salary and benefits

² ROI is calculated by ("Maximum forecasted direct tax recoveries" less "Maximum forecasted payroll rebate payout") divided by "Maximum forecasted payroll rebate payout"

Core Business Area 2 Trade Development

Promote the growth of new and existing businesses in Nova Scotia by enabling them to succeed with business opportunities in both domestic and international markets

Outcome	Measure	Base-year Data 2010-11	Targets 2012-13	Trends	Strategies to Achieve Target
New exporters in Nova Scotia	Number of new clients reporting their first export sale	n/a	10	n/a	Work with ERDT and other partners to engage companies not taking full advantage of international commerce
Market penetration and diversification	Number of clients introduced to new markets or further advanced in existing markets	n/a	325 clients	2008-09: 269 2009-10: 287 2010-11: 326 2011-12F: 304	Deliver tailored trade development services, including trade market intelligence
Increased export sales	Client-reported actual and forecasted export sales	n/a	\$200 million	2008-09: \$155.7 million 2009-10: \$132.9 million 2010-11: \$140.3 million 2011-12F: \$194 million	Work with clients to focus on highest potential markets and opportunities



Core Business Area 3 *Venture Capital*

Provide access to capital for promising Nova Scotia companies to help them achieve their full potential

Outcome	Measure	Base-year Data 2010-11	Targets 2012-13	Trends	Strategies to Achieve Target
Incremental Equity Investment	Number of venture capital projects authorized	n/a	3	2008-09: 5 2009-10: 4 2010-11: 4 2011-12F: 4	Deliver tailored equity financing solutions
Positive portfolio growth	Year over year portfolio valuation growth	n/a	Base plus 10%	n/a	Provide capital, strategic direction, and advice to help companies achieve their full potential
Positive return on investment to the province	Number of new external strategic partnerships into NSBI's portfolio ¹	n/a	2	No exits to date	Provide capital, strategic direction, and advice to help companies achieve their full potential and provide a return on the invested capital

¹ Significant external investor to one of NSBI's portfolio companies

Core Business Area 4 Business Financing

Provide access to capital for new and existing businesses in Nova Scotia, with the intent of enhancing value-added growth for the province's economy

Outcome	Measure	Base-year Data 2010-11	Targets 2012-13	Trends	Strategies to Achieve Target
Incremental value investment projects	Number of business financing projects authorized	n/a	10 financings	n/a	Deliver tailored trade development services, including business financing solutions
Increased Export sales	Portfolio clients year over year export sales growth	n/a	5%	2008-09: 269 2009-10: 287 2010-11: 326 2011-12F: 304	Deliver tailored trade development services, including trade market intelligence
Partner for financing solutions	Leverage NSBI partner/client ratio	n/a	Ratio of 0.5 to 1.0	2008-09: 1.33 2009-10: 1.02 2010-11: 0.35 2010-11F: 0.5	Maintain co-investment philosophy

Notes:

- 1 Base-year data is not available as 2012-13 will be the base year for NSBI's next 5-year plan
- 2 2011-12F: Trends are forecasts and are subject to change
- 3 The six projects included 5 loans and 1 material amendment



Appendix 1

Strategic Investment Funds Pursuant to NSBI Regulations, Policies, and Guidelines/Procedures: NSBI 2012–2013 Business Plan

	Payroll Rebate
Overview	<p>The Payroll Rebate is a discretionary, non-entitlement tool intended to promote targeted creation of employment and payroll generation.</p> <p>This financial incentive may be used when it can be shown that an applicant's project generates an economic benefit to the province, which may include export development, external investment in the province, or improved competitiveness of existing businesses, in one or more of the province's key economic sectors.</p>
Amount	<p>Rebates will be equivalent to between 5% and 10% of the applicant's gross payroll, depending on the applicant's strategic location or business sector and the economic benefit generated to the province. Additional rebate may be considered where the applicant is hiring individuals with specific skills or experience, or who are new members of the Nova Scotia workforce.</p> <p>All other Nova Scotia provincial government assistance with respect to the project must be disclosed and may influence the rebate amount.</p>
Eligibility	<p>The applicant's business must be considered eligible according to NSBI's operating regulations.</p> <p>Applications for assistance must be project-based. Projects are expected to create sustainable long-term employment. Cyclical peaks in employment will not be considered for assistance.</p> <p>The project should result in the creation of at least 20 jobs (FTEs) in Nova Scotia. Projects creating fewer than 20 FTEs will be considered when there is high strategic value or strong economic benefit.</p> <p>Companies that have previously received assistance under the program will not be eligible for additional assistance unless the project is incremental to the peak FTE level attained by the company under the previously provided assistance.</p> <p>Projects that are considered to be competitively harmful to existing Nova Scotia business will not be considered.</p> <p>The Applicant will collect and remit employee payroll taxes in accordance with the Income Tax Act (Canada)</p>
Application Requirements	<p>Historical and/or projected financial statements of the company and any additional financial information that may be required by NSBI to assess the financial viability of the company.</p> <p>Acceptable reports providing information with respect to the company's ownership, management, products, markets, and suppliers sufficient for NSBI to complete an evaluation of the company's operating risk.</p> <p>Project plan, which may include project timelines, budgets, and anticipated impacts of the project on the company's competitiveness.</p>

Appendix 1 (continued)

Strategic Investment Funds Pursuant to NSBI Regulations, Policies, and Guidelines/Procedures: NSBI 2012–2013 Business Plan

	Payroll Rebate
Criteria	<p>The company and the project must have reasonable prospects (business plan) for continued growth and success. The company should be profitable, with a proven track record. In addition, the project should be mainly export oriented and/or be in a strategic economic sector.</p> <p>The company must also demonstrate:</p> <ul style="list-style-type: none"> • strong management (corporate and local) • compliance with Environment Act, Occupational Health and Safety and Labour Standards Code (if already established in Nova Scotia) • economic benefit to the province (e.g., estimated number of jobs created linkages with other sectors, improved competitiveness, non-competition with Nova Scotia industries, import substitution) • an acceptable credit history
Performance Conditions	<p>Assistance is contingent on specific targets the company must achieve, which will typically be the creation of (x) jobs by (date), with an average annual salary/wage of \$ (amount). These targets are expected to still be in place at the end of the rebate period.</p> <p>The applicant must provide an annual report, which will typically be an auditor's report, certifying that the employment, wage and other targets have been achieved. The report must contain the following information:</p> <ul style="list-style-type: none"> • Incremental gross wage or payroll bill (including benefits) and the number of incremental employees and hours worked according to the Company's records on each anniversary date from the project commencement; • Gross wage or payroll bill (including benefits) and the total number of employees of the company on each anniversary date from the project commencement. • Incremental employees province of residence
Payment Terms	<p>Rebates will be paid following provision by the company of all information required by NSBI to verify compliance with the terms and conditions of the payroll rebate agreement.</p> <p>In most cases, rebates will be paid annually on each anniversary from the project commencement;</p> <p>Payment term generally average five years.</p>



Appendix 2

Nova Scotia Business Fund:

The Nova Scotia Business Fund is the source of capital for NSBI's business financing and equity financing clients. The portfolio currently has approximately \$173 million outstanding to more than 80 companies located throughout the province. For 2012–2013, net new capital needed for NSBI to continue to meet the financing needs of Nova Scotia businesses is estimated to be \$42 million, with repayments of current outstanding investments estimated to be in the \$7–9 million range.

Guidelines for the Nova Scotia Business Fund provide direction for investment decisions and the make-up of the portfolio. These include the following:

- Annual sector investment targets:
 - traditional 16%
 - knowledge-based (IT and life sciences) 20%
 - manufacturing 45%
 - energy 9%
 - ocean technology 5%
 - other 5%
- \$15 million maximum per company (investments exceeding this amount will be considered in exceptional circumstances)
- Maximum of 38% of the Nova Scotia Business Fund available for working-capital/equity investments (target of 10% maximum available for working-capital and a target of 28% maximum available for equity investments)
- Borrowing rates established based on risk, term, and optionality (e.g., interest capitalization, principal holiday, extended amortization)