



**PROVINCE OF NEWFOUNDLAND AND LABRADOR
HOUSE OF ASSEMBLY**

Second Session
Forty-Seventh General Assembly

**Proceedings of the Standing Committee on
Resources**

May 6, 2013 - Issue 6

Department of Innovation, Business & Rural Development
(Continued from April 25, 2013)

Published under the authority of the Speaker of the House of Assembly
Honourable Ross Wiseman, MHA

RESOURCE COMMITTEE

Department of Innovation, Business and Rural Development
(Continued from April 25, 2013)

Chair: David Brazil, MHA

Vice-Chair: Jim Bennett, MHA

Members:

Eli Cross, MHA
Dwight Ball, MHA
Lorraine Michael, MHA
Tracey Perry, MHA
Keith Russell, MHA

Clerk of the Committee: Kimberley Hammond

Appearing:

Department of Innovation, Business and Rural Development

Hon. Keith Hutchings, MHA, Minister
Barry Dawe, Assistant Deputy Minister, Ocean Technology
Daryl Genge, Assistant Deputy Minister, Trade and Investment
Kevin Guest, Executive Assistant
Denise Hanrahan, Departmental Controller
Rita Malone, Assistant Deputy Minister, Regional Development
Brent Meade, Deputy Minister, Transportation and Works (former Deputy Minister, IBRD)
Alastair O’Rielly, Deputy Minister, Innovation, Business and Rural Development
Mark Ploughman, Assistant Deputy Minister, Innovation and Strategic Industries

Also Present

Christopher Mitchelmore, MHA
Kevin Pollard, MHA
Kim Ploughman, Official Opposition Office
Ivan Morgan, NDP Office

Pursuant to Standing Order 68, Christopher Mitchelmore, MHA for The Straits – White Bay North, substitutes for Lorraine Michael, MHA for Signal Hill – Quidi Vidi.

The Committee met at 6:30 p.m. in the Assembly Chamber.

CHAIR (Brazil): Okay, we are all ready to start. I want to welcome everybody back to the continuation of the Resource Committee Estimates hearing on Innovation, Business and Rural Development.

Before we do that, a bit of housekeeping; I need a motion to adopt the Resource Committee minutes of May 6, Department of Fisheries and Aquaculture.

Motion made by the Member for Fortune Bay – Cape La Hune.

All those in favour, ‘aye’.

SOME HON. MEMBERS: Aye.

CHAIR: Opposed?

Motion carried.

On motion, minutes adopted as circulated.

CHAIR: Thank you.

Just going back, we had already adopted up to 2.1.04 inclusive. I noted here, Mr. Bennett – I think we discussed this – you had gone through section 3, Business Development, Investment Portfolio of Business Development. If you are still good with that we can move on to 4, and then Mr. Mitchelmore, I will come back to you on that. Mr. Bennett, you can start at 3 if there is something there that you want to touch on again.

We are starting with subhead 3.1.01, or you can go right to 4.1.01.

Mr. Bennett.

MR. BENNETT: Okay, thank you.

CHAIR: The same process will follow: we will go twelve to fifteen minutes back and forth. If somebody has a minute or two that they need to conclude a particular section, not a problem.

MR. BENNETT: Minister, on page 11.8, under 3.1.02, Investment Portfolio Management. There is a figure there – first of all, what does that mean, Investment Portfolio Management?

MR. HUTCHINGS: That is basically the management of funds that we have disbursed, in terms of that process of managing the files.

MR. BENNETT: Is it the managing of loans that have been extended?

MR. HUTCHINGS: Yes.

MR. BENNETT: Are there other investments that are managed?

MR. HUTCHINGS: Well, all investments would be managed.

MR. BENNETT: Does the department receive money and invest in something else, say, short term, until it is decided to invest into something that would be longer term or more in accordance with its mandate?

MR. HUTCHINGS: Yes, this would be all the money, like any kind of equity investment, SME loans, that kind of thing. Anything like that would be managed through this portfolio.

MR. BENNETT: Okay.

MR. HUTCHINGS: As well, I guess this would be the Fisheries Loan Guarantee as well?

OFFICIAL: (Inaudible).

MR. HUTCHINGS: Fisheries Loan Guarantee Program as well, and some of the old portfolios, like the old ENL, Enterprise Newfoundland and Labrador. Any files that were left over from that would be all part of the portfolio management.

MR. BENNETT: Would that range anywhere from entertaining loan applications right up to collections, the whole run?

MR. HUTCHINGS: Well, the Business Analysis component would be to do with applications and those types of things in terms of the business case and what was applied for. Then a data analysis would lead to a yea or nay in terms of the investment. Then that investment would be followed through the portfolio management.

MR. BENNETT: Your department follows up for collections of payments and that sort of thing?

MR. HUTCHINGS: Yes.

MR. BENNETT: Okay. Even in enforcement if there is a default.

Under 01, Salaries, last year \$505,000 was budgeted and you used \$438,000. Does that mean somebody was not hired or a position not filled?

MR. HUTCHINGS: Do you want to take the time to explain?

MR. MEADE: What this was, Mr. Bennett, it was just a couple of clerical positions where there were individuals on sick leave or on leave of some type, therefore we did not pay out as much. Other than that, this would be the normal staffing level.

MR. BENNETT: Okay.

Line 10, which is Grants and Subsidies, for the last two years there has been \$1,500 and \$25,000 budgeted and revised. Where is the \$3.6 million going to go?

MR. MEADE: This is where we have taken the grant components from various other aspects of the Estimates and activities and we have consolidated here. This would be the non-repayable grant component of our business development program. This would be paid out

through the Business Investment Corporation to administer those non-repayable.

You may recall we have redesigned our program toolkit to have a business development program and a regional development program. The business development program has a non-repayable component, grants based, where we would assist companies in productivity, technology utilization, travel, and marketing development support. This is where we consolidated that activity here.

We placed it under Investment Portfolio Management because of the reasons the minister gave. This is the division that manages the portfolio for the department, so this is where we place the funds.

MR. BENNETT: Is this amount paid out in loans over more than one year?

MR. MEADE: These would not be loans, these would be grants. They would be normally paid out within a year, yes.

MR. BENNETT: Okay. So this is the one-year allocation for fiscal 2013-2014?

MR. MEADE: Yes, it is.

MR. BENNETT: Do you know at this point who is going to receive these funds or is this something you anticipate you will use?

MR. MEADE: This is application driven, so we would not know. We know the type of companies, but this would be application driven.

MR. BENNETT: What types of companies are contemplated for that money?

MR. HUTCHINGS: Almost any type of company, really. We do not get involved with the retail sector; SMEs, ocean tech companies, IT companies. What other sectors was it?

OFFICIAL: It would be really across the board.

MR. HUTCHINGS: Across the board, really. Yes.

MR. BENNETT: Is there a particular size, size by sale or size by number of employees?

MR. HUTCHINGS: That we would look at?

MR. BENNETT: Yes.

MR. HUTCHINGS: No.

MR. BENNETT: Is it conceivable that one company could get all of that money?

MR. HUTCHINGS: No.

MR. BENNETT: How many companies would you expect to receive that much, assuming there is a full uptake, ten or eight or twenty?

MR. HUTCHINGS: Gosh, I do not know.

OFFICIAL: It could be between 300 or 400.

MR. HUTCHINGS: Yes, a couple of hundred. Then you are looking at other leveraged monies as well in terms of that investment, what it might look like; so usually 300 or 400.

MR. BENNETT: These would be relatively small grants then, if it is 300 or 400?

MR. HUTCHINGS: Yes.

MR. BENNETT: You only need a few tens of thousands for that much.

MR. HUTCHINGS: Probably the most would be \$100,000.

MR. BENNETT: Okay.

On the next page, Strategic Enterprise Development, what is that? What is a strategic enterprise? Is that something you have identified, a type of business or a region?

MR. MEADE: The Strategic Enterprise Development activity is one where in years where we need, we would make investments in the Business Investment Corporation so they may make loans in investments, but it is also where we allocate funding for special initiatives

that we will be undertaking. This year it is reflecting essentially the investment in fluorspar, in the St. Lawrence project.

MR. BENNETT: This \$16 million is for one project?

MR. MEADE: It is.

MR. BENNETT: Are there amounts outstanding from other years for other enterprises, or other companies? Is there a book of business where you put loans out?

MR. MEADE: There would be, yes.

MR. BENNETT: Do you have a running sheet of that? Who they are, how much they got, and how much they paid back?

MR. MEADE: Yes, we would have a running list of our portfolio. It seems to be what you are asking.

MR. BENNETT: Yes. Is that available?

MR. MEADE: I think it would be, yes.

MR. BENNETT: Okay. In that case I would like to have a list of the – I would call it a portfolio, exactly as you call it.

MR. MEADE: Is there a certain period, Mr. Bennett, you are looking for? Because –

MR. BENNETT: Maybe over the last five years and whatever is currently outstanding, if it came before five years.

MR. MEADE: Okay.

MR. BENNETT: Just like an ordinary investment portfolio.

MR. MEADE: Yes.

MR. BENNETT: That is what I would look at if I was investing for stocks or something like that.

Before I go further, Mr. Mitchelmore may want to pick it up. I do not want to get too far down the road from where he is.

CHAIR: Okay. Sure enough, we will go to section three. Mr. Mitchelmore, start on that section.

MR. MITCHELMORE: Okay.

CHAIR: Thank you, Mr. Bennett.

MR. MITCHELMORE: Under 3.1.01, Business Analysis, under the revenue last year there was \$300 that was actually collected. I am wondering what that was for.

MR. MEADE: It was an error in posting.

MR. MITCHELMORE: Okay.

Under the Investment Portfolio Management you had mentioned the Fisheries Loan Guarantee Program. How much is available in your portfolio under loan guarantees for fisheries right now?

MR. HUTCHINGS: Yes, I do not think there is a defined amount exactly. We entertain requests. Last year we indicated we did upgrades in regard to the Fisheries Loan Guarantee Program in terms of the amount of capital that is available. As well, based on some case law, the actual licences were allowed to be used for equity. That was in consultation with the FFAW in terms of the changes we made.

Since that time I am happy to say we have seen a significant uptake in terms of the Fisheries Loan Guarantee Program. One of the other components was the fact that harvesters that had been financed through processors had the option now of using that to refinance those loans. As I said, we have had a significant increase in uptake and it has been very positive.

MR. MITCHELMORE: I know the announcement that was made on the changes were very positive on behalf of your department in conjunction with the Department of Fisheries and Aquaculture. Is there a set amount of

people who you have? Are we talking about ten clients, fifty clients? Do you have a number of the people who you –

MR. HUTCHINGS: Maybe I will go to Rita Malone, the ADM. She can speak to it.

MS MALONE: This year we have twenty-six active files either approved or under consideration.

MR. MITCHELMORE: How does that compare with other years?

MS MALONE: Last year there were five and the year before there were five.

MR. MITCHELMORE: Okay, so you are seeing some uptake in that?

MS MALONE: Yes, very much so.

MR. MITCHELMORE: They were saying that there is upwards of \$100 million potentially available under the Fisheries Loan Guarantee? Is that the case?

MS MALONE: As the minister said earlier there is no fixed amount.

MR. MITCHELMORE: Okay.

MS MALONE: If you are asking what kind of paper would be written as a result of the guarantee, it could easily reach that amount.

MR. MITCHELMORE: Okay.

MS MALONE: That is the total amount of the investments advanced through the relative banks, and we have a guarantee which is a contingent liability on that.

MR. MITCHELMORE: Okay. Understood.

The equity investments that are made under this portfolio: Has there ever been a return or repayment on equity?

MR. HUTCHINGS: Certainly, on our portfolio, we have been seeing returns. The

Fisheries Loan Guarantee Program is an example. I think over the years there has been a little over 1 per cent default on it. Then with the other SMEs and those programs, we would see returns on – it is all part of the portfolio management.

MR. MITCHELMORE: Where would these returns be reflected? We are not seeing revenue in the Estimates. Revenue would be coming back if there are payments being made to these SME programs or equity investments in the form of dividends and things like that. Where do these show up in your (inaudible)?

MR. HUTCHINGS: (Inaudible) the evolving nature of that fund and how it works.

MS MALONE: We have our portfolio of roughly \$50 million and it is in place with a business investment corporation. We produce annual reports and annual financial statements and they are also audited.

The returns of the equity and flexible term loans are reinvested back into what it called a revolving fund. This revolving fund was put in place in 2005 and I am happy to say that it has been performing at 3 per cent to 5 per cent in terms of doubtful accounts or write-offs, so it is a very good return. The portfolio is roughly balanced between 70 per cent of flexible term loans and 30 per cent in equity based positioning.

MR. MITCHELMORE: Okay.

The Auditor General, through his details and recommendations by year that he released, said that the department should consider requiring audited financial statements for significant investments and it says that is not completed.

MS MALONE: The individual investments, depending on the merits and the complexity of them, we oftentimes require externally prepared, fully audited financials. In some cases though, when the level of risk, the level of investment, and indeed the cost for the client is really high, that we will ask to review engagement statements.

So the AG is right in terms of suggesting that we do not ask for all level of fully audited financial statements, but for example, for a small sawmill, that would cost them probably \$5,000 or \$6,000 to do their inventory. If they are making payments regularly and we have no reason to believe that there is deterioration in the account, we ask what is in fact reasonable.

MR. MITCHELMORE: Okay.

What about having financial statements within ninety days of year-end? How is that being tracked?

MS MALONE: Again, we look at the relative client. A large-scaled processing company's fabrication with high-volume sales, sometimes 120 days, federally, is expected, and even in the banking industry 120 days. We usually look for ninety on most of our mainstream clients, but there are occasions where we do grant 120 days.

MR. MITCHELMORE: Okay.

What are the actual lending priorities and criteria for extending loans to potential clients in this Investment Portfolio Management? What are the types of security requirements and the payback schedules that are adopted? Is there set criteria, or does it depend based on each program that falls within this umbrella of business investment?

MR. HUTCHINGS: The bottom line here, first of all, is the type of operation. From an economic point of view, is it going to be productive? Then go through the normal business analysis in terms of what types of investment we think would be successful based on the analysis, based on our experience, based on the industry, and certainly based on what that applicant is bringing to the table in terms of equity. There may be other investments at some point in time.

Collectively, it is hard to say there are set particular guidelines that are going to meet every review. It is a collection of a number of items and issues in terms of what is going to make this look like – there is risk in all of this, obviously.

A lot of times we believe in economic development and commercial banks in many instances will not play. So we believe it is important, especially from a rural and economic development point of view, but ultimately at the end of the day we want to reduce the risk as best we can. If it sounds and meets our overall objective, we will pursue it.

MR. MITCHELMORE: What is the lowest interest rate your department would give?

MR. HUTCHINGS: Three per cent right now. As part of some of the changes we have made over the past year, we were 3 per cent plus prime. That is based on SME fund and things like that. As part of the retooling of our programs and what we were hearing, now it is 3 per cent.

MR. MITCHELMORE: Will this be in competition with the Business Development Bank of Canada, the Community Business Development Corporations, the CBDCs, or credit unions and other institutions if you are able to give a loan at 3 per cent?

MR. HUTCHINGS: I think we are competitive now, is the best way to describe it. Again, I do not see CBDC, per se – I do not see us in competition. We work collectively in terms of driving economic development, and some times we will certainly promote each other's programs. We try to do it on the front lines with our staff to make sure what other programs are there, whether they are federal or provincial, to drive entrepreneurship and to drive business activity.

MR. MITCHELMORE: Do you take security on these loans?

MR. HUTCHINGS: Yes.

MR. MITCHELMORE: Is security registered on all of these loans and available?

MR. HUTCHINGS: Yes.

MR. MITCHELMORE: Would that be able to be provided for business investments that were

made in the last year, the actual security that was taken on lending?

MR. HUTCHINGS: That gets into commercial sensitivity in terms of investors. I would not say. That is in terms of investments. You are getting into very commercially sensitive information in terms of finances and those types of things.

Rita?

MS MALONE: We certainly did register general security agreements, real estate and ship mortgages alike. I do think that would be an extremely difficult process to be revealing all of the different aspects of security in each individual investment. At times, depending upon the level of security and the appraisal they are in of that security in the event of default, we would be asking for mitigation through personal guarantees, joint and several guarantees, as well as inter-company guarantees. There would be a great deal of complexity to the security depending upon which deal you were talking about.

MR. MITCHELMORE: Have you seized any assets in the last year?

MS MALONE: Yes.

MR. MITCHELMORE: Where would they show up? Would they show up under the Business Investment Corporation?

MS MALONE: Yes, they would.

MR. MITCHELMORE: How detailed are the Business Investment financial statements and things that get put forward? Would they list particular company details and information that assets were seized?

MS MALONE: They are normally accountant prepared through the Canadian accounting regulations and they would provide allowance for doubtful accounts. Do they name X, Y or Z company, and how much was received on the event of default? No, they will have used the aggregate numbers of the allowance for doubtful

accounts and the recovery the same therein. They will have an audited statement as to the health of the portfolio and the risk therein.

MR. MITCHELMORE: Okay.

What are the other programs beside the Equity Investment and Fisheries Loan? Would the Green Fund also fall under this?

MR. HUTCHINGS: No, it is with Environment, I believe.

MR. MITCHELMORE: Now, the Department of IBRD had been administering the Green Fund in the past and had been promoting it through their economic development offices in partnership with Environment and Conservation, as well. That fund no longer exists; is that correct?

MR. HUTCHINGS: I do not think it was administered through IBRD, was it?

MS MALONE: No.

MR. HUTCHINGS: No.

MR. MITCHELMORE: I have a question about if IBRD had lent money to one of the wood pellets from wood waste to Exploits Pelletizing. Was there an investment made by IBRD to this company in the last year?

MR. HUTCHINGS: Yes, I do not know if we would get into one-on-one investment, but there is some information we could certainly provide you.

MR. MITCHELMORE: Okay.

The company has posted online receiving government funds and information there, so just knowing where those funds came from and what role the department played.

MR. HUTCHINGS: Yes.

Do you want to go ahead there, Rita?

MS MALONE: We did an investment. My numbers may not be exactly right because we have a number of accounts, but about \$130,000 from us. Also, Environment and Conservation did a small amount under their Green Fund at the time. That would have been two-and-a-half or three years ago.

From my perspective, that account (inaudible) has agreed and they are producing pellets, interestingly enough, using waste oil as part of their pellet component for domestic markets.

MR. MITCHELMORE: Are they selling them?

MS MALONE: Yes.

MR. MITCHELMORE: Okay, good.

I have a question on the Strategic Enterprise Development piece. You are saying that this funding here was for fluorspar. What was spent last year in the \$300,000?

MR. HUTCHINGS: Yes, that was originally for fluorspar. It was \$17 million in total. This year, I understand, the first part was to build some infrastructure for wharf infrastructure, so the company hopes that a tender will be called shortly to get the project started.

MR. MITCHELMORE: If I could have a list of the Grants and Subsidies under the Business Analysis section, Investment Portfolio Management, and Strategic Enterprise Development as the portfolio, as Mr. Bennett requested; I do not think I have further questions in this section at this time, unless Mr. Bennett has some further questions he would like to ask.

Can those things be provided?

MR. HUTCHINGS: Yes.

MR. MITCHELMORE: Thank you.

CHAIR: Mr. Bennett, you are good with that section?

MR. BENNETT: I may have one or two more questions, and they may be applicable at the next section. I just do not want to go further ahead.

This fluorspar money, this will all be paid out this year, or is that dependent on how they perform? I know they have delay issues, but that might be whatever.

MR. HUTCHINGS: The intention is this year, but then again, in terms of how the project proceeds – I think it is \$100 million project in total, if I remember correctly. The intent is in this fiscal year, but again, in terms of how it proceeds.

MR. BENNETT: Okay.

Does IBRD guarantee any commercial loans, instead of using its own money, to make them easier to acquire, basically to leverage IBRD funds and to put more money on the books?

MR. HUTCHINGS: I believe the only guarantee we do is the Fisheries Loan Guarantee Program. That would be where we guarantee that through the commercial bank.

MR. BENNETT: Okay. I have no more questions on this section.

CHAIR: Okay, I am going to ask for a motion to adopt sections 3.1.01 to 3.1.03.

Motion by –

MR. MITCHELMORE: Mr. Chair, I am just wondering if the EDGE program falls under this section as well, or is that program no longer available.

MR. HUTCHINGS: Okay, why don't you speak to that?

MR. MEADE: EDGE is actually voted under Business Analysis, Grants and Subsidies.

MR. MITCHELMORE: Okay. So there is actually no increase in the number of employees or companies looking at being part of the EDGE

Program in this coming year compared to what it was last year?

MR. MEADE: It would depend. We would do projections. If your question is, are there new EDGE companies, there are.

MR. MITCHELMORE: Yes.

MR. MEADE: We would do it on a year-to-year basis. We would do our projections on what needs to be paid out.

MR. MITCHELMORE: Okay, great.

CHAIR: Okay, we have a motion there to adopt subheadings 3.1.01 to 3.1.03.

All those in favour, 'aye'.

SOME HON. MEMBERS: Aye.

CHAIR: Contra-minded?

Motion carried.

On motion, subheads 3.1.01 through 3.1.03 carried.

CHAIR: Okay, Mr. Bennett, go to 4.1.01, or whatever section beyond that, that you would like to.

MR. BENNETT: Yes, Minister, under this section, Salaries has dropped by approximately one-third. What is happening there? It has gone down from \$1.25 million roughly to \$840,000.

MR. HUTCHINGS: We had two contractual positions that were eliminated. We have a manager's position and I think that is it, is it?

MR. BENNETT: What were these people doing that you do not need done now?

MR. HUTCHINGS: We had two positions that were related to the Rural Broadband Initiative. As I said, they were contractual. At a point in the future, we did not need a particular service. We may look at contracting service again. Based on our experience and getting through

RBI One, and the knowledge and the people we have now, we certainly feel well equipped to move forward.

MR. BENNETT: The drop is around \$400,000 and it is two contractual positions. Were they making around \$200,000 a year each?

MR. HUTCHINGS: No, I do not think that was right. There were two contractual and one manager, wasn't it?

Why don't you go ahead, Brent?

MR. MEADE: Okay.

The contractual positions associated with RBI would have been approximately \$180,000 to \$190,000. Then, again, as the minister indicated, there was also a manager's position we eliminated in that division.

MR. BENNETT: Is that because you rolled out what you needed done under RBI?

MR. HUTCHINGS: One of the exercises I did not speak to that they had done was a mapping exercise in terms of a determination of what the capacity was in the Province in regard to served and underserved areas. That is a difficult one because it is proprietary in terms of the service providers. They do not usually give it up.

We work with Industry Canada and through our own work here in the Province to try to determine where there was service and where there was not service. There was a lot of work done on that by these individuals.

MR. BENNETT: I would like to ask a little bit about synergies between IBRD and other government departments. You have recently acquired Mr. O'Rielly. I am acquainted with him. He still has to put up with me because he was Fisheries before and he is IBRD now.

What possibilities do you see for synergies between what people might want in DFA with fish waste and underutilized species, or maybe marketing or equipment, that DFA really does

not have the mandate to invest in, but IBRD might have?

MR. HUTCHINGS: Yes, we have worked with other departments. Certainly, there are indeed synergies, as you say. Our Business Analysis component that we do looks at investments of various types. We would do that analysis related to Natural Resources, related to the Department of Fisheries and Aquaculture. We look at what is taking place down on the South Coast with the aqua-fishery industry. We have been heavily involved with that with DFA.

Under Innovation, Research and Technology, that is a key component. We look across borders, across departments, and looking at how we can assist. If it is in innovative, or new technologies or new industries, like I say, whether it is Natural Resources, Fisheries, or wherever it is.

MR. BENNETT: Okay.

To go on to Natural Resources, as an example, would you fund something by way of loan or grant? Let's say someone wanted to have a drilling program for minerals. There is practically no drilling that I know of in the Northern Peninsula right now for minerals, but for years there was. If somebody came to you with experience and a little bit of capital, but needed to fund a piece of drilling equipment, is that something you might look at?

MR. HUTCHINGS: We look at any proposal in terms of what that would be from an economic development point of view. I do not think today we have entertained anything like that, have we?

MS MALONE: No, a couple of years ago we were looking at something in Baie Verte, but the client ended up being able to get it through other sources of financing. We would certainly look at equipment, subject to a business plan that showed some viability.

MR. BENNETT: If I can find someone who will come to the Northern Peninsula and drill,

and they have a good business plan and a little bit of money –

MR. HUTCHINGS: Send in the proposal, we will take a look.

MR. BENNETT: I should send them to you. It could happen.

MR. HUTCHINGS: Oh, yes.

MR. BENNETT: Let's hope it does.

Grants and Subsidies of \$4.5 million, it was \$5.7 million last year. A million less than was allocated last year was actually put out. What happened there? That is an even million. I do not like round numbers because they do not tend to happen except for a specific purpose.

MR. MEADE: Mr. Bennett, this is actually an area where it is a bit complicated in terms of what was there last year and what is there this year.

Last year's \$5.7 million or \$5.8 million roughly, would have included a lot of the innovation programming that has now been moved to the other two consolidated areas that we have referenced, the Business Development Program and the Regional Development Program. That would have included things like money we would have had around tech utilization, travel, or whatnot. It would have also included \$4 million in rural broadband.

This year's money, the \$4.5 million is strictly for broadband. It is \$1 million that was carried over from last year. We had \$2 million last year of where we only spent half of it because of the way the project cash flowed. We need the other million this year; also, then, the \$3.5 million in new money that was announced for broadband. That \$4.5 million constitutes all money for broadband now.

MR. BENNETT: This year it is down somewhat but not that much down. What do you anticipate doing with the \$4.5 million this year?

MR. MEADE: It is all broadband money.

MR. BENNETT: Okay.

MR. MEADE: It is difficult – that is why I am suggesting to you. It is difficult to compare to say that it is down because you are comparing apples and oranges in a way, because what constitutes the \$5.7 million is not what constitutes the \$4.5 million.

MR. BENNETT: I understand. It is different projects.

MR. MEADE: Right. There are different elements, and part of that \$5.7 million now is actually reflected in other activities in the department. Specifically, elements of it would be found in 3.1.02 under Grants and Subsidies, and some of it would be found under Comprehensive Economic Development, 5.3.01.

MR. BENNETT: Minister, do you find that you have a line up of people who know all the things that you have funds for? Do you have too many applicants, or do you find that not enough people know about what you have to offer so you do not get enough of the best applicants, or both, or neither?

MR. HUTCHINGS: As part of doing our review we committed to in 2011 and then I coming into the department and reaching out to regional staff and discussing with staff we have. I think there was an issue in regard to sometimes visibility of our programs, and through that getting enough applicants coming forward.

We have done well, but I think there is room for growth. I think with the redevelopment of some of our programs, the consolidation, and making it easier for the applicant, I think we will see increased growth in some of our activities.

MR. BENNETT: Do you go through chambers of commerce?

MR. HUTCHINGS: Pardon me?

MR. BENNETT: Do you go through chambers of commerce just to get the word out?

MR. HUTCHINGS: Yes. Definitely, yes, we use a lot of those groups on the ground in terms of what we have available. Like I said, we work with the other lending agencies or – what are the federal ones?

OFFICIAL: ACOA.

MR. HUTCHINGS: Yes, federal, ACOA, business development, all of those. We reach out to all of those when we can with what we have available.

MR. BENNETT: Is there any particular limit on the amount that your department would put into one venture?

MR. HUTCHINGS: I do not think so, no.

MR. BENNETT: Mr. Chair, I could pause and let Mr. Mitchelmore go forward.

CHAIR: Okay. We are under 4.1.01.

Mr. Mitchelmore, go ahead.

MR. MITCHELMORE: Thank you, Mr. Chair.

I would like some explanation as to why there is only \$4.5 million allocated for broadband when the budget document states a much higher number, over \$6 million. Can that be explained?

MR. HUTCHINGS: Yes, that was basically intended to cash it over two years. That is the commitment of the funds, but we know from experience in terms of picking the applicants and flowing it out -

MR. MITCHELMORE: Okay. I understand.

MR. HUTCHINGS: Yes.

MR. MITCHELMORE: It usually takes a year for them to complete the project.

MR. HUTCHINGS: Yes. By the time you do the call, get your applicants back, negotiate with them and finalize it.

MR. MITCHELMORE: Understood. The government Broadband Initiative that was invested a few years back, the Auditor General states that there was not a cost-benefit analysis on utilizing government-owned fibre. Why wouldn't government do a cost-benefit analysis to make sure that we are getting greatest return for our own strands?

MR. HUTCHINGS: I think originally the trans-gulf fibre was \$50-odd million in total in terms of the overall project. Our investment was around \$15 million. If you even look at it in terms of the return, let alone just bringing competition to the Province but as well having the redundancy to the rest of North America, Telelink or TELE Greenland was established. I think EastLink invested close to \$80 million in terms of overall.

We have seen tremendous investment and everything grow from that. Even some of our post-secondary institutions have talked about the fact that with competition and other agencies have seen very competitive rates.

I do not know, Brent, if you want to comment any further in terms of –

MR. MEADE: Clearly, the direction we have moved is to focus more on how we can expand access to underserved and unserved areas. That has been the focus. The Government Broadband Initiative was about how we could build a government network. The government realized – and we do differ a little bit with the AG on this; we did do cost-benefit analysis around what it would cost for us to fully utilize and develop a government broadband network.

We realize that the cost-benefit analysis numbers did not work for us at that time and we should focus more on expanding our access to underserved and unserved areas. That is why you would have seen, hon. member, a shift in strategy in many respects a couple of years ago where we said do you know what, let's look at us doing that.

Where we are right now, in terms of use of that fibre, that we would have got access to as part of

the Atlantic cable facility proposal, or the trans-gulf proposal or initiative as it is commonly referred to as, we are now looking at how we can use that fibre with carriers, with organizations like Nalcor, where we can continue to expand access for Newfoundlanders and Labradorians.

MR. MITCHELMORE: Do we have enough fibre with our GBI and with what the private sector and with what the RBI initiative is set to do to meet the needs of the remaining unserved or rural and remote communities? Are we going to actually get coverage to all of our communities?

MR. HUTCHINGS: With fibre?

MR. MITCHELMORE: With fibre or with wireless, however –

MR. HUTCHINGS: That is our intent, but not with fibre, certainly not. It is sort of a hierarchy. It is fibre, it is wireless, and it is satellite. I guess that has been our approach and we work with the major carriers, innovative new companies, to try to see how we get there.

Can I say we will be 100 per cent in every region of the Province? No, certainly not. Is it our intent to get and keep pushing it out and pushing it out? Yes, I think over the last year or year-and-one-half there have been tremendous improvements in terms of getting to areas of the Province. I think, based on the funds we have in the budget, there is much more growth to come in terms of what we can do.

MR. MITCHELMORE: I believe so too, especially moving with wireless technology and cellular technology providers.

MR. HUTCHINGS: Yes.

MR. MITCHELMORE: I was provided a technical briefing by your staff and they provided quite an overview of the industry, and I appreciate that. They also talked about a map that was done. Is it possible to get the map of coverage? They had gone and used a number of resources, whether it was through the university

or using Stats Canada sites, for showing where broadband coverage is. Is that something that can be –

MR. HUTCHINGS: Give us a little bit of time. We are almost finished in terms of completing that map.

MR. MITCHELMORE: Sure.

MR. HUTCHINGS: Very shortly we probably could get something for you.

MR. MITCHELMORE: Great.

I am not sure if I have questions pertaining to the line items, per se, but I was wondering when you had mentioned about the technology programs like that Technology Utilization Program, the Innovate and Demonstrate Program, and the Commercialization Program. Are those no longer in this section? They have moved and have been collapsed; is that the case?

MR. HUTCHINGS: Yes.

MR. MITCHELMORE: Just because they are collapsed, that does not mean that they are gone; it is just that there is a general fund now?

MR. HUTCHINGS: Yes, exactly.

MR. MITCHELMORE: If somebody does apply for technology, they would be eligible.

MR. HUTCHINGS: Yes, all we need to see is the application of what exactly they are looking for and then we will deal with the rest behind in terms of the funds.

MR. MITCHELMORE: Do you have a benchmark set, though, where you are allocating a certain section of your funds for technology, a certain section for small-scale manufacturing, so that not 90 per cent of your funds go out the door for technology? Do you have an idea as to what –

MR. HUTCHINGS: Our Technology Utilization Program, that was about a \$600,000 program in prior years. So yes, we have a

benchmark of where we have been in prior years and we will probably be around that again, I would think.

MR. MITCHELMORE: Okay, that is good.

I do not have any other particular questions, I do not think, in the Innovation, Research and Technology, if Mr. Bennett wants to pick up and ask something else there.

MR. BENNETT: I am okay with four actually.

CHAIR: Okay, you can move on to the next subheading.

MR. BENNETT: Minister, five starts with rural development planning. Where do you see rural economic development going in the next year, three years or five years?

MR. HUTCHINGS: Our approach has been a regional approach in terms of economic development. Certainly, we have moved to an opportunity management perspective where there is opportunity. We have a wholesome group of staff and expertise on the ground.

Again, it is about identifying that opportunity and determining how we can make that opportunity grow, whether it is an SME, like Magine Snowboards out in the Port au Port Peninsula. Three young guys came up with an idea how to make snowboards and put them into the market. We supported that on a small scale. They worked out of a garage and are really starting to make some move.

Whether it is bigger, in terms of regional, what we have seen, again, down on the South Coast with the aquaculture industry, opportunities down in St. Lawrence with the fluorspar mine, those bigger ones, or it is related to supplier development for our megaprojects. We are seeing a lot of companies that we help through supplier development, things like work skills enhancement and training for technology.

So it is a whole range of things, but in terms of rural Newfoundland and Labrador there are opportunities for that SME or there is spinoff

regionally where something can be developed in a particular sector. In Labrador, in terms of what is happening there with the mining industry, there is huge spinoff and huge opportunities.

We have seen in Newfoundland, across Canada, and really in many jurisdictions, the migration to the urban centres have been far greater in other regions; in Newfoundland and Labrador it has been less. Now, it has occurred. As you notice, most of our programs were not cut in economic development. We believe in economic development and continue to support it.

MR. BENNETT: If you say they are opportunity driven, does that mean that some areas with maybe more proactive entrepreneurs might benefit more than other areas?

MR. HUTCHINGS: Well, it is that entrepreneur who drives that activity. Certainly, yes, to your question, I would say yes; if you have entrepreneurs, you have investors who are coming forward and saying we see an opportunity here and we want to work with you. We also have a Chamber of Commerce, we have regional councils, and we have development folks on the ground who are driving opportunity. It could be a regional sector diversification fund on the non-profit side. We have seen tremendous work done on that in various industries.

I think we spent \$44 million and leveraged probably another \$114 million, but that is providing infrastructure to ground, whether it is for tourism or whether it is for other SME activities to strive in growth. It is both the commercial and non-commercial that is driving activity in rural Newfoundland and Labrador.

Yes, to your question, I see continued opportunities. High-speed obviously is an issue in terms of business activity and entrepreneurship. It is so important, the communication. That is why we are continually so invested in that and are committed to it.

MR. BENNETT: Minister, in this section Regional Development Planning for Salaries

there is \$1,012,000. It is pretty much on budget; it is similar this year. Who is doing what for that money?

MR. HUTCHINGS: Do you want to take us through that, Rita?

MS MALONE: This is our headquarters that organize the programs and policies and monitors them. They also lead in building the teams for opportunity management.

The minister is quite correct when we talk about, what do we do in rural areas? We look at the regional strengths and the regional opportunities within sectors. We tie investments and appropriate policies to helping make SME build out occur.

When you look at a place like Labrador West, one of our investments has been in the industrial park to build out more opportunities for small and medium enterprise to provide the supply chain for the five big mining industries there. We also do skills up, WSEP. We like to tout we have a two-prong approach.

This is a small core team who do a lot of engagement. I believe a few weeks ago you would have seen a couple of the officers at an MNL event that you attended, Mr. Bennett. I was present, as well as Minister Hutchings.

They co-ordinate; they monitor the WSEP. They co-ordinated the action plans for business retention and expansion. We are now heavily engaged in about some 480 businesses and clusters. They monitor and organize that, and help make sure our work plans and our reporting processes are robust and are meeting our indicators and our targets.

MR. BENNETT: You have indicated that Labrador West is a very robust economy right now, and maybe a lot of opportunities to access capital. Would you see IBRD, part of its role, to advance more risk capital in areas that have less opportunity for capital, areas where chartered banks are less likely to go, or where credit unions may not exist?

MR. HUTCHINGS: I think the programs may vary depending on the environments you describe. What is needed in Labrador West in terms of programming or capital may be different than in some other area of the Province. I have to mention the Workplace Skills Enhancement Program.

In an area where there is a lot of activity, based on the diversity of what a company may do in SME, getting into other activities to be in the supply chain, they may need something like that Workplace Skills Enhancement Program to upscale their labour. Another area where there are challenges, as you said, the risks may be greater; but if it is an opportunity we identify has potential, we may be more inclined to invest there in that area. I think it would vary in terms of what the opportunity is on the ground.

MR. BENNETT: Do you have a consistent underwriting for loans, or do you have a more flexible underwriting if it looks like there are different factors that might need to be considered that would increase the risk?

MR. HUTCHINGS: I would say we are flexible in terms of overall what that risk is and what the opportunity is.

MR. BENNETT: In line 10, Grants and Subsidies, last year budgeted \$2 million, \$625,000 was used, and it is zero this year. What is that line for?

MR. HUTCHINGS: I think that may have been the Regional Economic Development Boards, our contribution with the federal government in terms of what that was used for. That is correct, I think, is it?

OFFICIAL: Yes, Minister.

MR. BENNETT: Does the Rural Secretariat show up here anywhere?

MR. HUTCHINGS: No, that would be under the Office of Public Engagement, the Rural Secretariat.

MR. BENNETT: Okay.

Is there any consideration by your department to put back in place, restore, or recreate anything that would be similar to any of the Rural Economic Development Boards?

MR. HUTCHINGS: No, we went through a process in terms of discussions with the federal government when they talked about doing this. We reflected on right now what is the capacity on the ground with our staff and with other groups on the ground, whether it is Chamber or Commerce, other voluntary groups, or municipalities.

As well, the point to remember is that through our Community Capacity Building, we still have assistance that is available to all volunteers on the ground, whether it is regional planning or community planning. We still have that there to assist them, as does ACOA, I do believe, in terms of their programs.

At the end of the day, when we look at whether we take over a \$4 million-plus that ACOA had backed out of, we were confident that we could move forward and drive economic development. Over the past year, we have seen no downturn in the amount of requests or applications that are coming to us. If anything, in some respects we may have seen an uptake or a greater increase in terms of activity.

I think we need to integrate better. The entrepreneurs you spoke about on the ground in the business side of things to make sure we are fully connected in regions, I think is very important. There is a role for municipalities, in some areas a greater role, in terms of identifying and driving economic development regionally. It is not about one small community; it is about a number of communities in a region. If there are opportunities there, how do we collectively drive there? Certainly, we are there to support.

MR. BENNETT: Do you see a role for any of the development associations either to deliver services or to act as almost mini MGOs that would perform jobs on the ground, either by direct investment or overseeing investment?

MR. HUTCHINGS: I am not sure, like a third party?

MR. BENNETT: Maybe even as an entity to borrow funds to get something going, something if nobody in the private sector is suitable or willing to proceed that if you had a development association, would they be able to apply for funds the same as any other individual?

MR. HUTCHINGS: To me, that would be duplication. That already exists. We have offices and folks on the ground, and that application comes to us now. I am not sure you can put another line of activity and folks in there to facilitate that; we already have that.

MR. BENNETT: I did not mean to process it; I meant to run it. I meant to actually be the proponent –

MR. HUTCHINGS: Oh, I am sorry I misunderstood the question.

MR. BENNETT: – if there was not a proponent available, someone who could actually run a community (inaudible) –

MR. HUTCHINGS: Oh, like a co-op or something. Yes, certainly from that perspective.

MR. BENNETT: Maybe a not-for-profit.

MR. HUTCHINGS: With our upgrades to RBI, down on the South Coast there was some applicants in terms of who were the applicants for the RBI build out, down in Grey River and a couple of areas. In Labrador, Smart Labrador is another example of a non-profit group, describing basically what you are talking about, that they become the advocate for the region or the applicant for the region and they would oversee it.

We have a great relationship with the Federation of Co-operatives that we have our MOU with. We have seen the number of co-operatives increase, if I remember correctly, over the past couple of years. What you described yes, we would certainly continue to support it.

MR. BENNETT: Under Field -

MR. HUTCHINGS: Just one second – Rita.

MS MALONE: Thank you, Minister.

Mr. Bennett, the rural development associations that still exist in the Province are roughly about fourteen. They are very much engaged in project initiatives. We have invested, through our Regional Development Funding, support on project initiatives throughout the areas that they represent.

MR. BENNETT: Many of them, as I understand it, have over the years sort of evolved into organizations that just deliver, to a large degree, make-work projects and they get a fee for doing this. With some of them, they may be better off if they could do something which would be more economically meaningful, which would also then be a profit centre for them to run their organization with. It is sort of a move upward for some of them, but they may need to go there or die.

MR. HUTCHINGS: Some are starting to go that route, I do believe. The Northeast Avalon just announced the other day in terms of – they are carrying on much like you describe, I believe.

MR. BENNETT: Under Field Services, are these the officers you have in the field? People who promote the department, take loan applications, and sit with people?

MR. HUTCHINGS: Yes, that would be. Yes, indeed.

MR. BENNETT: Those are basically your front line people?

MR. HUTCHINGS: Yes, our regional office, all of those folks.

MR. BENNETT: The next category down, Economic Development, what does that cover, the Grants and Subsidies of \$12.5 million?

MR. HUTCHINGS: That is a revolving fund right?

OFFICIAL: That is the Regional Development Fund (inaudible).

MR. HUTCHINGS: Oh, okay. That the Regional/Sectoral Diversification Fund I spoke about, the non-commercial.

MR. BENNETT: Yes. What does it do?

MR. HUTCHINGS: Those are the supports for non-profit groups, whether it is in the tourism industry – most of the development funds to support regional economic development that is not commercial in my area, I think of. We have invested in the Folk Arts Council in the building, in terms of upgrades to Colony of Avalon in my area, in terms of providing that infrastructure that grows visitation, or grows it to bring people into the region. That drives that other business activity in those communities.

MR. BENNETT: Is this capital?

MR. HUTCHINGS: It could be, yes.

MR. BENNETT: Could it be operating?

MR. HUTCHINGS: No, we usually do not get that in operating. No.

MR. BENNETT: The budget is doubled year over year.

MR. HUTCHINGS: Do you want to speak to that?

MR. MEADE: Sure.

MR. BENNETT: That is not a complaint but we are in restraint. In a year where it doubles –

MR. MEADE: Mr. Bennett, this is an example of where – you may remember when we talked about under Innovation, where a number of things were moved from the \$5.7 million. I mentioned a number of things there. This is an example of where we would have consolidated

our non-commercial activity into the Regional Development Fund.

Programming here, and you will see it as well when we go to Ocean Technology, where there was funding once under Grants and Subsidies there. That has now been zeroed out; it has been moved into here. We consolidated our programs into two areas. In the Estimates now it is reflected here for the non-commercial, and the commercial is reflected back under Portfolio Management, as we have discussed earlier.

This would include, as the minister mentioned, the types of activities you mentioned under the former Regional/Sectoral Diversification Fund. We would also fund here initiatives with academic institutions. We might do something with Memorial University around Ocean Tech or Marine Institute. We may do things with College of the North Atlantic around any number of things, any number of initiatives in a number of sectors that we would pursue and, as the minister mentioned, with other community organizations or regional groups. It will all be here.

CHAIR: Mr. Bennett, can I give you one more minute? Then I want to go to Mr. Mitchelmore, please.

MR. BENNETT: For sure.

This sounds like when we did the Budget lockup and I asked questions of the person from Finance. He said well, it is not gone. It is gone from there to someplace else but you will have to ask the department in Estimates.

MR. MEADE: At the previous sitting of this Estimates Committee I think we committed to showing you exactly where things moved, what they were last year, and we committed to showing you how they migrated this year. We can show you in detail where programs would have existed last year and how they have now consolidated. We can show you that.

MR. BENNETT: Do you have a flow chart for that?

MR. MEADE: Yes, we can show you. We can submit it.

MR. BENNETT: Can you send it over to us?

MR. MEADE: Yes, we can.

MR. BENNETT: Yes, that will be easier.

CHAIR: Thank you, Mr. Bennett.

Mr. Mitchelmore.

MR. MITCHELMORE: Since we are on the Economic Development piece, under the revised amount of 2012 it says that the Revenue – Provincial was \$5 million. How did we get this \$5 million repayment if this is commercial and non-commercial activity?

MR. HUTCHINGS: That was monies that were originally allocated to Grand Falls-Windsor for severance. When the work was done in regard to that severance and it was all calculated, and what the actual amount would be, that \$5 million was excess. This year that was returned, or it is registered here as revised.

MR. MITCHELMORE: All of the people in Grand Falls-Windsor with the expropriation for the severance, they all received their severance pay and supports. You had over budgeted, basically, and this is just to clear up the accounting?

MR. HUTCHINGS: Yes, exactly. That is to close that account out.

MR. MITCHELMORE: Okay.

Under the Regional/Sectoral Diversification Fund, you stated only non-profits are eligible for, I guess government institutions or public institutions like academic. That is correct, right?

MR. HUTCHINGS: Yes.

MR. MITCHELMORE: Is there a cap on the amount of money you would give under the Regional/Sectoral Diversification Fund to any one entity?

MR. HUTCHINGS: You can go ahead and take that.

MS MALONE: We look at leverage and we have been posting roughly 25 per cent to 30 per cent we would invest, and then we would leverage the balance from other sources. We are looking at, in general, up to a million dollars with \$500,000 in grant per annum.

MR. MITCHELMORE: Okay. Thank you, Rita.

I just have a question for clarification, I guess. The RDC has a significant amount of money in the bank for doing things like research and pieces like that. Why would the academic institutions not be looking at RDC to get their money versus the Regional Sectoral/Diversification Fund, which could be utilized by a number of non profits and municipalities and entities across the Province? Is there a reason for that?

MS MALONE: The RDC are doing applied research. What we do with this fund is, for an example, if we have an industrial development opportunity, and we do, and we require investment in the College of the North Atlantic to do academic build out and a good example is the power line technician in Happy Valley-Goose Bay in order to be ready for employment. That is separate and distinct from research and development which is the stick of the R&D Corporation.

MR. MITCHELMORE: Okay, interesting. Thank you for that explanation. It clears things up quite a lot.

Under the original Regional Economic Development Services you have listed here, this is where the RED Board funding would have been and it is no longer listed. There was \$625,000 but it also lists – this would be where appropriations would be made for community capacity building. I do not see where the funds would be here. Did that get moved somewhere else? How much is allocated for community capacity building?

MS MALONE: Four-hundred and fifty for the community-based groups, and then we have an additional seven hundred for sectors and that broader piece. Those investments are, in fact, well intact from earlier years.

MR. MITCHELMORE: Okay. Is NLOWE also as the third party receiving funding under Regional Development Planning?

MS MALONE: They would be one of those sector organizations, women in business they represent.

MR. MITCHELMORE: Okay.

In terms of some of the questions, I guess, could we have a list of the new co-operatives that were funded? I know that the Federation of Co-operatives list about ninety co-ops on their Web site. I am just wondering if maybe there are further updates or information there.

The Federation of Co-ops have federal funds, it seems, available to set-up co-operatives. Are there any types of funds provincially to set up co-operatives or that your department would assist with?

MS MALONE: We support the Federation of Co-ops through our sector funding, around \$50,000 a year. We also have a \$500,000 equity revolving investment with the Federation of Co-ops and it was put in place in 2005. That is performing very well.

We look at investments around \$30,000 in range on individual co-ops. In addition, we have a co-op developer's network of specialists within the department, one in each region supported by a person in headquarters.

MR. MITCHELMORE: Okay. One of the challenges I see with regional economic development, especially with the cuts to the RED Boards, when it comes to initiatives that are project driven that IBRD funds sometimes, a number of groups on the ground depend on other government programs to use it to leverage one set of funds, stacking funds basically, and maybe JCP. Sometimes one fund gets approved. IBRD

sees the merit of the business, but the JCP funding does not come forward and therefore the project does not get off the ground.

Is there an ability where your departments are working a little closer together to see actual commercialization of some of these activities? Some of the activities would have significant business merit to helping rural communities. I am asking, what role do you play in trying to help more partnerships in cross department?

MR. HUTCHINGS: Yes, whatever the opportunity is we will certainly look at working with that group on the ground. Sometimes we can offer them help to leverage other funds, whether it is through other agencies or other groups to try and make it happen.

MR. MITCHELMORE: I guess my thing, Minister, is saying that in more cases than not your department has been approving funds for rural entities because you see the business aspect in rural communities, but other departments are not coming through with their level of funding that is needed, the labour component or whatnot, to actually see the project move forward. It stagnates a lot. Is there an ability where your department can either look at lending additional sums or money, or how it can eliminate the stacking so that projects can actually get off the ground?

MR. HUTCHINGS: Yes, we can view each project or we can go back to a particular department and say can you take a look at this? Based on what we have seen there, this looks really good. Is there some way we can leverage those other dollars, whether it is a JCP? We have seen cases where we have gone back and looked at other departments, or we have stepped up ourselves and maybe contributed a bit more than we usually would, based on the fact that we thought it was worthwhile.

MR. MITCHELMORE: Is there an ability to work with, maybe, a third party where there are no RED Boards on many grounds? You talk about the Chambers of Commerce and you talk about other entities that are there; when we look at the field officers that are there, most of them

are not going to be writing specific proposals for applications they are going to look at approving funding for. That is not a service they would provide and it seems like there is some form of disconnect when it comes to the proposal-writing piece.

Is there an ability to maybe look at partnering with an entity on the ground? I just look at the Rural Development Associations that you mentioned. Maybe they are not regionally based, I know I have three in my own district, but the CBDCs; there are fifteen of them, and they are regionally based. They also do lending and they also work with you as a partnership.

If, for example, they had a specific staff person who would do a product development or proposal writing where they joint shared the funds. Where you paid someone about \$50,000 and it was \$25,000, you would be spending about \$375,000 to really build up communities all across Newfoundland and Labrador. Is that something that could be discussed as an option to help Regional Economic Development? Maybe it would not be with them, but I am saying maybe it would be through Municipalities Newfoundland and Labrador.

MR. HUTCHINGS: You are talking about creating a core structure that you would fund to do that?

MR. MITCHELMORE: Yes. What I am saying is you would need a third party to assist on the ground with helping to facilitate business to your own field staff. So by having a third party, it would help drive that and the third party could be very low cost, if you had a partner that would also benefit. I am just saying I think there is a real loss when it comes to on the ground with the RED boards in many rural communities.

I know that in my own district they leveraged more than \$13 million. Over the last ten years, the amount of salaries and operations were only about \$3.5 million, beyond all of the project-based work they did for other entities.

MR. HUTCHINGS: One of the things we have looked at is that capacity on the ground. We talked about if there was some deficiency there we would look at providing a capacity, whether it is, as you said, being able to put those projects in, and being able to write them and put them in the proper form. If there are other agencies there on the ground that could help with that, then we could provide training, we could provide support, and we could provide whatever we could to upscale groups or individuals who could do that. That is something we certainly looked at. We have heard from particular areas of the Province in that regard, but if there are programs that we can do or a service that we can provide we will certainly do that.

I do not know, Rita, if you have a comment on the third party piece of it.

MS MALONE: Through our Opportunity Management process, it is not only prioritizing what are valued, sustainable economic activities; it is also looking at the capacity on the ground.

The minister referenced earlier our Capacity Building program. What we have done is specific problem solving with respect to, let us say, an infrastructure initiative; whether we have to get project management brought to bear and fund that, whether it is technical design experiences, or whether it is building a marketing strategy.

In one particular initiative now they are looking at doing a foundation-type fundraising. So we are hiring legal expertise to form the foundation and then developing a fundraising marketing strategy on a major piece of infrastructure in this Province. What we try to do is more focus it on end solution as opposed to a broader core kind of piece where sometimes the return investment that would have suggested there, like \$3 million returning to \$13 million, is not there.

Also, I really would not want to leave the impression that we are just a police, and that we march through the tick boxes on a proposal. Very much, our work is piloting and trying to marshal, yet at times it means we sit down and we help carve out initiatives. What we would

have to do internally is make sure the assessment and the carving out, that we have some distinct roles and responsibilities there. Our proactive work and our work on the ground is helping churn up proposals as a result of opportunities.

MR. MITCHELMORE: That is a great answer in terms of looking at the capacity on the ground. I just feel that on some levels not all regions are equal and that there are some regions that are going to face increased challenge when it comes to getting service that they had previously when it comes to regional economic development.

There were a lot of players when it comes to offering this type of service and trying to network for so long, since 1996, I guess, and prior to that, with Rural Development Associations, and they still exist. They were looking at building these partnerships, building these networks, and it seems like that has kind of disbanded now, in that it is focused on the individual type of thing, and go direct to your department. I see that somewhat as a challenge in some regions of the Province.

Why did the department do performance-based management for the RED Boards if they were going to axe them? Why not keep the top performers?

MR. HUTCHINGS: Again, that is a policy issue. We have made a decision; we think the capacity is there on the ground with any assistance we can provide as we move forward. As I said, we are still seeing good uptake on our programming. We are confident economic development will continue to move forward in Newfoundland and Labrador.

MR. MITCHELMORE: Okay.

CHAIR: Mr. Mitchelmore, are you almost finished that area? If you are, I will give you another minute or so. If not, I will move back to Mr. Bennett and then we can come back to you.

MR. MITCHELMORE: I have a couple of more questions. You can go back to Mr. Bennett if you like.

CHAIR: Okay.

Mr. Bennett.

MR. BENNETT: Minister, page 11.14, there is nothing left there, so it was moved somewhere presumably or discontinued. The Canada/Newfoundland and Labrador Business Service Network: What did that do and what does it do now, or is it just gone?

MR. HUTCHINGS: That was cost shared between the Government of Canada and Newfoundland and Labrador. I guess it provided walk-in service in regard to things like start-up business, statistical information, information on how to start a business, those types of things.

If my memory serves me correctly, I think it was last year – I think that was funded through ACOA, they announced that they would not be continuing to fund the Canada/Newfoundland and Labrador Business Service Network.

What the federal government did, I think some of those staff were pulled back into ACOA. We followed suit and I think we had five staff from IBRD, and it was a rotating Chair – a rotating Executive Director I guess is the proper word that was paid for. We brought those staff back into – well, actually the staff were let go and then, through bumping privileges, they bumped back into IBRD.

On a go-forward basis, in terms of data, there were a lot of online licences and those sorts of things where people could access that information. We worked out with Memorial and the School of Business as well as the College of the North Atlantic that, in the past experience, a lot of this information was being accessed by students and young people. So, we thought that was a good venue to have that material so the material would not be lost.

Then, ongoing, we would still pay for the licence of those different access sites that they would have related to business and economic activity. We provide that same service through our regional offices, as well through the head office here in St. John's. Did I miss anything, Rita?

MR. BENNETT: Minister, through IBRD is there a place or service where somebody could go if a person had a business idea, some money, and they wanted to get in the business themselves? You mentioned the people with the snowboards on the West Coast. Is there somewhere they can pick up the skills, do a quick course that is offered that would let them learn about things like source deductions, HST, and personal guarantees to improve their chances of success?

MR. HUTCHINGS: Yes, through this – it is one thing I did not mention – we have the Canada/Newfoundland and Labrador Business Service Centre. It used to have lunch and learns, give seminars, and those types of things.

We have taken that over and still will provide that. Like in a region if there were some young entrepreneurs or anybody wanted to start a business on particular areas that you are describing, if it is accounting, if it is things to know when you are getting a business up and operating, we would go out and offer those seminars. They would be offered around the Province to identify and contribute to what you are talking about.

MR. BENNETT: The individuals who put these off, are they departmental staff, or retired business people, or bankers?

MR. HUTCHINGS: They would be different kinds of resource people. From time to time we may have a local entrepreneur who will be part of that to be sort of a mentor in terms of experience, knowledge, and here are the things you need to do. It will be an integration of staff and people on the ground, the entrepreneurs.

MR. BENNETT: Are they offered regularly, or in different parts of the Province, or on demand?

MR. HUTCHINGS: A little bit of both.

Rita, do you want to speak to that?

MS MALONE: It is a little bit of both. Last year as an example, with about 260 tourism enterprises, we gathered together the federal government, AES, ourselves and we went through four topics: financing your business; e-commerce; social media, marketing; wrapping up for human resources, and those types of things. We do specific to industry and to business.

We also still have online a very robust linkage between Canada business and our Web sites. We also have steps to starting a business which is very, very good and nimble on how do you register for HST, how do you incorporate and that type of thing. We call it the steps to getting into business. In addition, our front-line EDOS as well as headquarters people can walk through, and our Web sites do have some very good links to the relative agencies in terms of the regulatory stuff.

MR. BENNETT: If somebody comes to the department looking for a loan or grant, some sort of funding for a business, do you put them through any sort of a test – do you access their abilities? Because sometimes novices get eaten up pretty quickly in business and they did not need to if they had a clue what they were doing. It could be location. It could be they do not know how to organize the cash flow. Maybe they should have leased instead of buying.

If you are going to put money on someone to do whatever, do you make sure that they have the business skills that they may not want necessarily to even talk to you about because they have a great business idea and they are going to make tons and tons of money? Do you access them from that point of view and insist that they know what they are doing to some degree before they get going?

MS MALONE: Yes, we try to. We do provide programs to access technical support. A lot of it is around marketing a really good product or a really good service, and we do that. A lot of it,

of late, is around using the Internet, using e-commerce, that type of thing, developing their Web sites and that type of thing.

We have done specialized cost accounting with companies that are into fabrication or production; dairy farmers, for example, in terms of understanding their yield and the likes of that. So we try at the start-up but also as the company grows and experiences challenges to try to identify – because we do not have all of the answers internally by any means, but we do try to use programs that Mr. Meade mentioned and the minister. We try to use programs to get that really good problem solving technical support.

MR. BENNETT: Mr. Brazil, I have no more questions on section five.

CHAIR: Okay. I will go back to Mr. Mitchelmore and then, Mr. Bennett, I will go come to you.

Mr. Mitchelmore.

MR. MITCHELMORE: Just in terms of the Regional Economic Development piece, I wanted to ask about the Ambassador Program. Does that one follow there and is the program still in existence?

MR. MEADE: The Ambassador Program is still active and is actually under 2.1.03, under Marketing and Enterprise Outreach.

MR. MITCHELMORE: Okay. Since we have passed that, would I be able to just have a list of the ambassadors that are participating, the businesses that have been profiled and affiliated with that program?

MR. HUTCHINGS: We will take a look at it, yes, and see what we can do.

MR. MITCHELMORE: Okay.

In terms of the Regional Economic Development piece, I am looking forward to seeing how these new funds are going to roll out, and getting that flow chart of how the programs line up. I do not have questions on

that, but I did want to ask a couple about the Canada/Newfoundland and Labrador Business Service Network. Are you still maintaining their Web site and all of the resources that were on it, or is that being migrated?

MR. HUTCHINGS: Yes, all of those sites, we have taken those on and they are still available.

MR. MITCHELMORE: What has actually happened to the physical location of that office they had and the satellite offices? Are they just staying where they are and not getting funding?

MR. HUTCHINGS: That was the office in Pippy Place, I think it was. It was lease space between the federal government and the Province, so that space was just let go at a certain date.

MR. MITCHELMORE: What happened to all of the business development tools, like the business planning guides, the literature, and everything that was there? It was a wealth of resources.

MR. HUTCHINGS: The literature went to CNA, MUN business school, and anything else remaining came back into us where we would distribute it out to our regional offices. My point is all the material is still used and will be used.

MR. MITCHELMORE: My only other question would be where we have seen the federal government cut back on funding to your department, the programs have been eliminated. If there are further cutbacks to ACOA or from the federal government itself through a direct department, would we anticipate that other programs will be cut in your department?

MR. HUTCHINGS: No, we are committed, as I said, to economic development. I think our budget demonstrates that. We are fully committed.

As I said, when we look at an analysis of Canada/Newfoundland and Labrador Business Service Network, we look at the regional office we have and at the staff we have; we look at

how many people communicate today and who is using the service. I am very confident in saying we have lost nothing in terms of pulling out the Business Service Network.

MR. MITCHELMORE: I just have a question on the Red Tape Reduction Initiative. Are there funds in this year's budget on that, or is that program completed?

MR. HUTCHINGS: That is Service Newfoundland and Labrador.

MR. MITCHELMORE: Oh, that is Service Newfoundland and Labrador.

I do not have any further questions when it comes to Regional Economic Development, section five.

CHAIR: I am going to ask for a motion to adopt Estimates headings 4.1.01 to 5.4.01.

Motioned by the Member for Bonavista North.

All those in favour, signify by saying 'aye'.

SOME HON. MEMBERS: Aye.

CHAIR: Opposed?

Headings carried.

On motion, subheads 4.1.01 through 5.4.01 carried.

CHAIR: Mr. Bennett, I will go back to you to heading 6.1.01.

MR. BENNETT: Minister, this says Ocean Technology, and it looks like it is still there except there is no money left. Grants and Subsidies went from \$3.8 million to zero. Did this money get moved somewhere else?

MR. HUTCHINGS: Yes, that would have been re-profiled. Do you want to take us through that, Brent?

MR. MEADE: This is another example of where we have moved the funding. About

\$700,000 of that money has been moved to the business development program which would be reflected now under 3.1.02, Investment Portfolio Management, which we discussed earlier under Grants and Subsidies. The remaining \$3.6 million is now reflected under Comprehensive Economic Development as under the regional development program 5.3.01.

MR. BENNETT: Does that mean that the department is not supporting ocean technology initiatives any more?

MR. MEADE: No, that is simply a case of us consolidating the toolkit. Ocean technology is still a priority and will remain a priority under those programs.

MR. BENNETT: The staff look like they are still there.

MR. MEADE: Yes.

MR. BENNETT: Does that mean that they do the front-end work, for want of a better word, and then you apply through wherever?

MR. HUTCHINGS: Yes. The benefit there is that some of those ocean tech companies now may get access to programs that they never had access to before because it is all consolidated.

MR. BENNETT: I have no more questions on six and we only have seven. I just have one or two general questions and then I will be done.

CHAIR: Okay, well, 7.1.01 has already been carried. Yes, you can spend your time in the next few minutes on general questions.

MR. BENNETT: We hear a lot of discussion about CETA.

MR. HUTCHINGS: About?

MR. BENNETT: CETA.

MR. HUTCHINGS: Okay. Is there a line item?

MR. BENNETT: No, it is not a line item. Where did you hide CETA?

MR. HUTCHINGS: I am not hiding anything.

MR. BENNETT: How much are you going to put into it and where did you hide it?

MR. HUTCHINGS: There is nothing to hide; there is no agreement.

MR. BENNETT: There is no budget allocation?

MR. HUTCHINGS: Yes, there is.

MR. MEADE: If your question is: Where would the resources that we are applying towards the CETA negotiations be reflected? They would be reflected under Trade and Export Development, 2.1.01.

MR. BENNETT: Let's say at some point we sign CETA, will your department be the one that actually delivers it?

MR. HUTCHINGS: We are the lead on CETA. The staff who are engaged in the negotiations or are advising or representing Newfoundland and Labrador's views to the federal negotiator rest in my department under trade. Any agreement, we as a government would review it and see if it is in the best interest, as we have always said, of the Province of Newfoundland and Labrador, but the signatures to the agreement would be the Government of Canada and the EU.

MR. BENNETT: Do you see in your department any role for any of the opportunities that CETA brings?

MR. HUTCHINGS: Oh, definitely, certainly in terms of new markets and for exports, whether it is fish or technology. Yes, it is a huge market. It is a market of, what, half a billion people. Yes, we certainly see opportunity.

MR. BENNETT: With respect to some of the opportunities for funds that are received, do you know if there is any consideration that this may make us more or less competitive as some of the other CETA partners? They may have a

concern. NAFTA, for example, says you cannot provide certain types of subsidies unless everybody accesses it. Do you anticipate that some of what is offered here might not be able to be offered any more because we are part of CETA?

MR. HUTCHINGS: No, I do not think so. There are obligations in any trade agreement, but we do not look at being any less competitive as a Province. We have exciting industries and exciting opportunities. We think we will do just fine.

MR. BENNETT: I have no more questions.

CHAIR: Thank you, Mr. Bennett.

Mr. Mitchelmore, we will go back on section six and any more general questions you may have.

MR. MITCHELMORE: I just have a few questions, actually. I have a couple of general questions and a couple to the line items.

I would like to ask about the professional services on the Ocean Technology Initiatives as to what was actually done. Who was hired to do what work in last year's budget for \$107,000?

MR. MEADE: We do not have those details here, but we can certainly get them. The professional services under Ocean Technology Initiatives would be related to the hiring of particular expertise or firms to help us with market intelligence or sector development.

MR. MITCHELMORE: So you typically have to go out and outsource that level of expertise. I know that the minister had talked about growing the Ocean Technology Sector to \$1 billion, and it has certainly extended quite a bit. It has had a lot of investment in recent years and is growing. Any detail that can be provided on the professional services would be great. I guess the \$190,000 is for the same level of expertise to be hired on a particular project.

The Grants and Subsidies, you explained where it is going, but can you provide us with the list

of grants and subsidies as to where money went last year?

MR. HUTCHINGS: Yes.

MR. MITCHELMORE: Okay.

I just have a question on what happened to the economic opportunities in the Green Economy. There was a report done, the Green Economy and your strategic plan. It promised to do a road map Web site to identify and navigate existing green programs and services, and improve energy efficiency and reduce greenhouse gas emissions. I am just wondering if that is axed.

MR. HUTCHINGS: I will ask Mark to speak to that.

MR. PLOUGHMAN: The work for the road map Web site is just about complete. We expect to see that rolling out within the next few months.

MR. MITCHELMORE: Great. It is good to see things that were going on in Business, Innovation and the Green Economy and seeing the presence of IBRD there in Corner Brook.

Has your department attended a meeting on the Poverty Reduction Strategy? It seemed like in your last strategic plan there were no initiatives in your department under the Poverty Reduction Strategy. Has this changed?

MR. MEADE: In fact, what happened with the Poverty Reduction issues that we did have is they became A-base initiatives within the department. We had the micro-lending initiative we were doing with the Federation of Co-ops. We had Capacity Building. Capacity Building actually, Mr. Mitchelmore, started as part of an initiative through the Poverty Reduction Strategy and, as ADM Rita Malone mentioned earlier, that has now been expanded upon as part of our core function as a department.

MR. MITCHELMORE: Okay.

Is there anyone in your department on the Working Group for the Poverty Reduction Strategy?

MR. MEADE: Yes, there is. We continue to be engaged in the Poverty Reduction Strategy.

MR. MITCHELMORE: At what level? Who would be the –

MR. MEADE: We still have Working Group representation. We still have representation at the deputy table and any other type of structure that you would have around it.

MR. MITCHELMORE: Okay, excellent.

I just have one last question just on the Arctic initiatives, things that are happening in ocean technology around particular port development, and things like that. Is there anything planned through your department to make further investments when it comes to port developments for cruise ships, for shipping, to actually promote that so we can actually move forward on these Arctic opportunities that are out there? Is there anything planned or further consultations, Minister, because you did travel across the Province? Is there follow-up to that?

MR. HUTCHINGS: Yes we are finalizing our direction from that consultation, but I can tell you in various areas of the Province we are having discussions in terms of port development. Also, I had discussion with my federal counterpart in regard to the Atlantic Gateway as we move that forward. I made representation, too, in regard to Arctic Opportunities, our initiative here, and how important it is in regard to port development. As a Province, we see that as key in terms of moving forward. It is certainly on our agenda over the next year or two in terms of taking advantage of that exists.

From time to time, we may get companies wanting to come to the Province, and as part of that venture they may need enhancements to port development. There are various stages of port developments and review going in any particular time. Your question in terms of Arctic

Opportunities, yes, we see port development as crucial as we move that file forward.

MR. MITCHELMORE: Great.

I really appreciate, Minister, you answering the questions - and your staff - here tonight. I have asked a number of very tough questions, I would think, and you have been very forthcoming with answers, a willingness to provide information, and a lot of good initiatives moving forward. Thank you all for that.

I do not have any further questions, Mr. Chair.

CHAIR: Thank you, Mr. Mitchelmore.

Mr. Bennett, I will give you the last comment.

MR. BENNETT: We tend to spend a lot of time asking questions about small business in rural parts of the Province and so on. What about St. John's; what about small business in St. John's? It is the capital. If a person wanted to get into business and they were here, what would they do?

MR. HUTCHINGS: Yes, well, it is the same. We have the Avalon Regional Office. We have our Economic Development Officers as well. We see a lot of activity in the Northeast Avalon in terms of small business as well. It is a different environment because there is opportunity, the biggest population, you have the service sector, and you have significant activity.

MR. BENNETT: There are challenges, though, I would expect, with the cost of rent, the cost of wages, and whatever else.

MR. HUTCHINGS: True enough, and that is why you see some push out to the fringes of the urban core, I guess you would say. Yes, it is true, as the economy grows there are challenges as you described in regard to labour and rent, especially for companies starting up. We are seeing some smaller SMEs coming together, maybe, and doing things collectively. There are synergies between what they can do oftentimes.

MR. BENNETT: Okay.

I am good.

CHAIR: Thank you, Mr. Bennett.

I am going to ask for a motion to accept inclusive all headings 1.1.01 to 7.1.01 of the Department of Innovation, Business and Rural Development.

MR. RUSSELL: So moved.

CHAIR: Motion made by the Member for Lake Melville.

All those in favour, 'aye'.

SOME HON. MEMBERS: Aye.

CHAIR: Opposed?

Motion carried.

On motion, subheads 1.1.01 through 7.1.01 carried.

MR. CROSS: Before we close, there are a lot of handouts it seems like those fellows have asked for. We were over here saying we would like to get them, too, especially some of the other things, because if it is only handed out there, then they are going to have more information than us, and I am not too happy about that.

MR. HUTCHINGS: Okay.

MR. BENNETT: (Inaudible) government relations, we will roll out some of this money for a fee.

MR. HUTCHINGS: Yes.

CHAIR: Fair enough, the minister and his staff, when they circulate to the Opposition Parties, will do the same, too, to all Committee members.

MR. HUTCHINGS: We will do that, yes.

CHAIR: Okay.

I would like to make one little correction. I think when I asked for a motion to adopt the minutes I said the Department of Fisheries and Oceans. I want to correct that in Hansard and say Fisheries and Aquaculture. I will have that noted there.

Without any further business, a motion to adjourn.

MR. BENNETT: So moved.

CHAIR: So moved by the Member for St. Barbe.

MR. HUTCHINGS: Thank you, Mr. Chair.

CHAIR: All those in favour, 'aye'.

SOME HON. MEMBERS: Aye.

CHAIR: All those against, 'nay'.

Carried.

I want to thank the minister, his staff, and the Committee. Thank you for all of your information.

Our next sitting will be Wednesday at 9:00 a.m., our last one.

On motion, the Committee adjourned.