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**Proceedings of the Standing Committee on  
Resources**

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Department of Innovation, Business and Rural Development

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## **RESOURCE COMMITTEE**

Department of Innovation, Business and Rural Development

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Chair: David Brazil, MHA

Vice-Chair: Christopher Mitchelmore, MHA

Members:

Eli Cross, MHA  
Keith Russell, MHA  
Sam Slade, MHA  
Tracey Perry, MHA  
Lorraine Michael, MHA

Clerk of the Committee: Kimberley Hammond

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Appearing:

### **Department of Innovation, Business and Rural Development**

Hon. Susan Sullivan, MHA, Minister  
Brian Burke, Assistant Deputy Minister, Oceans  
Daryl Genge, Assistant Deputy Minister, Trade and Investment  
Robyn Hayes, Departmental Controller  
Rita Malone, Assistant Deputy Minister, Regional Development/Business Analysis  
Lori O'Keefe, Executive Assistant  
Alastair O'Rielly, Deputy Minister  
Tracey Perry, Parliamentary Secretary to Minister  
Mark Ploughman, Assistant Deputy Minister, Innovation & Strategic Industries  
Doug Trask, VP, Strategy and Program Development  
Jennifer Tulk, Director of Communications

### **Also Present**

Tony Cornect, MHA  
John Dinn, MHA  
George Murphy, MHA  
Bradley George, Researcher, Official Opposition Office  
Ivan Morgan, Researcher, NDP Office

Pursuant to Standing Order 68, Tony Cornect, MHA for Port au Port substitutes for David Brazil, MHA for Conception Bay East – Bell Island.

Pursuant to Standing Order 68, John Dinn, MHA for Kilbride substitutes for Eli Cross, MHA for Bonavista North.

Pursuant to Standing Order 68, George Murphy, MHA for St. John’s East substitutes for Lorraine Michael, MHA for Signal Hill – Quidi Vidi.

The Committee met at 5:32 p.m. in the Assembly Chamber.

**CHAIR (Russell):** I would like to welcome everybody to the Resource Committee Estimates for Innovation, Business and Rural Development.

We will begin with the introductions to the Committee. We will start over here with Mr. Mitchelmore.

**MR. MITCHELMORE:** Christopher Mitchelmore, MHA, The Straits – White Bay North.

**MR. GEORGE:** Bradley George, Researcher with the Official Opposition.

**MR. MURPHY:** George Murphy, MHA for St. John’s East.

**MR. MORGAN:** Ivan Morgan, Researcher, NDP caucus.

**MR. DINN:** John Dinn, MHA, Kilbride.

**MR. CORNECT:** Tony Cornect, MHA, Port au Port.

**CHAIR:** Over across on the other side.

**MS MALONE:** Rita Malone, Assistant Deputy Minister of Business and Regional Development, IBRD.

**MS SULLIVAN:** Susan Sullivan, Minister of Innovation, Business and Rural Development.

**MR. O’RIELLY:** Alastair O’Rielly, Deputy Minister of Innovation, Business and Rural Development.

**MR. PLOUGHMAN:** Mark Ploughman, Assistant Deputy Minister, Innovation and Strategic Industries.

**MS TULK:** Jennifer Tulk, Director of Communications.

**MR. TRASK:** Doug Trask, VP, Strategy and Program Development with the Research and Development Corporation.

**MR. BURKE:** Brian Burke, Assistant Deputy Minister, Oceans and Arctic Opportunities.

**MR. GENGE:** Daryl Genge, ADM, Trade and Investment.

**MS PERRY:** Tracey Perry, Parliamentary Secretary, IBRD.

**MS O’KEEFE:** Lori O’Keefe, Executive Assistant to Minister Sullivan.

**MS HAYES:** Robyn Hayes, Departmental Controller, IBRD.

**CHAIR:** Thank you very much.

I would just like to remind members and staff here this evening that I believe we only have one person in the recording studio tonight, so please identify yourselves before you speak to give them enough time to get the lights on.

With that, can we have heading 1.1.01.

**CLERK (Hammond):** Subhead 1.1.01.

**CHAIR:** I would like to call on the Minister of IBRD for her opening remarks.

**MS SULLIVAN:** Thank you very much, Mr. Chair.

My opening remarks and perhaps all of my remarks will be brief because I do not want to torture you anymore than I have to, but I will do some of that if I can.

What I would like to do is I am wondering if I can ask your indulgence to perhaps start with RDC because I think that will be shorter and then staff who are here, Doug who is here, could leave as opposed to having to sit through all of this piece, and then get started on his piece. So if I have the concurrence of all, I think it would be helpful if we could start with RDC.

**OFFICIAL:** (Inaudible).

**MR. MURPHY:** Thank you.

Section 3.1.04, under French Language Services, I do not know if we are going to be doing that as well tonight?

**MS SULLIVAN:** My understanding is that French Language Services was done through the Department of Finance.

**MR. MURPHY:** It is already looked after, okay.

**MS SULLIVAN:** Yes.

**MR. MURPHY:** All right.

**CHAIR:** With that, I would also remind Committee members and staff as well, to please keep your cellphones away from the mikes to eliminate the buzzing that we are hearing over the speaker system as well.

**MS SULLIVAN:** If you want, you are going to call the heading then I could introduce –

**CLERK:** 1.1.01. Which –

**MS SULLIVAN:** For RDC.

**CLERK:** I am sorry, Minister, can you tell me?

**MS SULLIVAN:** Do we have the head number there?

**CLERK:** Subhead 7.1.01.

**MS SULLIVAN:** Thank you.

I would like to introduce – he just introduced himself anyway – Mr. Doug Trask, who is the Vice-President of the Strategy and Program Development at RDC. Glenn Janes, of course,

who is the CEO, is away right now. He is travelling on business and he sends regrets.

R&D of course is a very key component to everything that we do in IBRD, and it is a key economic driver of innovation in our economy. RDC's mandate is set out in legislation. It is to strengthen the focus, the quantity and the quality and relevance of R&D for the long-term economic benefit of the Province.

Just by way of a few introductory notes, I could tell you that RDC is having significant impact right now in the Province since operations began back in 2009-2010. RDC has contracted \$79 million into 469 projects. That has leveraged for us about \$174 million from other sources in this Province. That would include \$61 million from industry.

The work that RDC is doing in the Province has been well recognized and the work they are able to do as well in terms of leveraging money is something that has been very helpful to many projects throughout this Province, and in raising the profile of the Province as well.

Having said that, by introduction, I will now open the floor for any questions.

**CHAIR:** We will move first to Mr. Mitchelmore for questions on 7.1.01.

**MR. MITCHELMORE:** Thank you, Mr. Chair.

I would like to welcome the minister to this portfolio that she has held in the past.

Looking at 7.1.01, Research and Development Corporation, the RDC, investment in research and development is key, especially when you are looking at commercializing new technologies, looking at economic diversification. Line item 10, Grants and Subsidies, has not changed; it is at \$22,026,000. Could we get some detail on what those grants and subsidies are for what particular projects?

**MS SULLIVAN:** Certainly we can. I can tell you that in terms of grants and subsidies to date – and, Doug, you might be able to help me look at this. I am looking at contracts that are generally in the vicinity of about \$79 million,

but in terms of looking at whether or not they are for this year or if that was over the period of time, I would expect that that was over the period of time; but in terms of investments to date, I know we are talking about Burton's Cove Logging, Dynamic Air Shelters, St. Anthony Cold Storage, Search Minerals Inc., and so on.

Were you looking for more specific than that?

**MR. MITCHELMORE:** Could we have a list maybe of past projects by region and maybe a list of active projects? Sometimes there are releases posted. There are major announcements that RDC has undertaken, whether it be in the oil and gas sector, partnering with entities, or with Memorial University or others. Is it possible if we could get a more detailed list, as we have had in the past?

**MS SULLIVAN:** Certainly. That will not be a problem to provide you with a list. We will ensure that it is sent to you.

**MR. MITCHELMORE:** Great.

How many employees work at RDC?

**MS SULLIVAN:** If my memory is correct, Doug, thirty-seven employees, but I believe there are five vacancies right now.

**MR. MITCHELMORE:** Okay.

Do their salaries come from these grants and subsidies, or how is that revenue accounted for?

**MS SULLIVAN:** I will let Doug give the specifics of that.

**MR. TRASK:** Basically out of our \$22 million budget, there is about \$3.5 million directly related to salaries. Then there is a range of other costs relating to operations, leasing of our building, normal operating costs, but a significant portion of our budget goes to fund R&D projects. Those are both commercial and non-commercial projects that support both investments in people, research and infrastructure in the Province.

Just to reiterate in terms of access to information related to the projects we do fund, once they are contracted, we will publicly release those on our

Web site: full disclosure of the level of funding, the leverage from other sources, and the parties that are involved and the type of research that is being undertaken.

**MR. MITCHELMORE:** Can you tell us what the five vacancies are? Is that a recruiting matter? Is it budgetary? Is there a reason why you are not able to fill?

**MR. TRASK:** These are positions that have not been filled at this point based on need. They may have existed in the past and people may have left and went on to other employment opportunities. There has been some restructuring within the organization as well.

Programs change over time so those positions are still technically there. There are no immediate plans to fill those positions, but as needed they are still there as vacant positions. It is not encumbering our operations in any way. The thirty-seven people we have are fulfilling the current needs of the organization.

**MR. MITCHELMORE:** Okay.

One of the programs that would fall under Grants and Subsidies would be your voucher program that you allocate up to \$15,000.

**MR. TRASK:** Correct.

**MR. MITCHELMORE:** How much of the particular budget is allocated towards that particular program? Is there a cap?

**MR. TRASK:** There is no particular cap on most programs. Basically that is a relatively small niche program. In any one year you may do two, three projects. It is a relatively small portion of our budget; therefore, we do not set caps on that. It is in an area where we are trying to encourage business R&D, and that is a priority within this Province to do so.

We want to encourage companies. These tend to be more quickly turned around because they are small amounts; there is a technical issue where they need access to a facility or an expert to resolve a technical problem. We can turn those around much more quickly than we will larger projects which involve a significant amount of due diligence, financial, technical, and other.

**MR. MITCHELMORE:** Right.

How many of your projects have you completed through commercialization because you have talked about commercial and non-commercial?

**MR. TRASK:** We have funded to date – and the minister referenced the \$79 million. We have contracted \$79 million in total throughout our history. These tend to be multi-year projects so I cannot tell you off the top of my head what is exactly the number that have been completed. Several of them will range from two to five years in length.

We often have to get involved in the multi-year funding of a particular project. We do a lot of due diligence before the project starts, we do a lot of milestone tracking, and payments are against milestones and deliverables on each and every project. So at the point in time when the project concludes – there is reporting throughout, there is a full report at the end, and then we do follow-up client surveys with the applicants to ensure the results are being monitored and tracked, and we report on those on a regular basis through our strategic plan. The next strategic three-year plan, the results of that will be released in about a couple of months.

**MR. MITCHELMORE:** Right, but do you have a number, specifically, as to how many projects you completed?

**MR. TRASK:** We can certainly get you that, in terms of completed projects, but the vast majority would probably be still in the partial stage of partial completion.

**MR. MITCHELMORE:** Okay.

**MR. TRASK:** We are a relatively new organization, from a program-delivery perspective.

**MR. MITCHELMORE:** Right. I do not have an issue with the multi-year funding or anything like that. Some projects are ongoing and would require that.

Just in context, though, you said there is \$79 million that was put out through RDC, and it has levered \$174 million. Do you have any type of

requirement or how do you determine when you look at lending from your Grants and Subsidies here? Is there a minimum amount of cash, or can things be in kind or –

**MR. TRASK:** The criterion varies by program. It has to reflect the nature of the particular program, because some programs are providing people with access to the technical expertise they need. Other cases, you are developing a prototype and you are going to test that over a period of time. So it does vary by program what the level of funding is. Typically for smaller companies in areas with high technical risk, we are a higher percentage. Larger companies, we tend to be a smaller percentage of the project. So that is a general rule, but those guidelines are very specific. Criteria and guidelines vary by program. We have eleven programs in total.

**MR. MITCHELMORE:** Your program information is available on the Web site –

**MR. TRASK:** It is on our Web site.

**MR. MITCHELMORE:** – and to get into the details of programming, I am sure I would have an opportunity to meet with some of the staff there at RDC to go into those intricacies.

**MR. TRASK:** Absolutely.

**MR. MITCHELMORE:** One of the things I wanted to ask about was the RDC budget overall, because it is not really clear from my first line of questioning, is Grants and Subsidies. It is lumped in the Salaries, it is lumped in the building costs, and it is lumped in travel, transportation. It is not like any of the other Estimates that we look at in a government line department typically list those out rather than just the Grants and Subsidies. Is it possible to get maybe a copy of your audited financial statements?

**MS SULLIVAN:** They would be filed every year. I just want to point out as well that this is not a line department; this would be a Crown corporation. The financial statement is online. It is filed every year. The Auditor General goes in and takes a look every year as well.

**MR. MITCHELMORE:** The audited financial statements are posted on the RDC Web site?

**MS SULLIVAN:** Yes.

**MR. MITCHELMORE:** Okay.

**MS SULLIVAN:** The annual report as well.

**MR. MITCHELMORE:** Okay.

When you are looking at your Grants and Subsidies, do you have any type of measure to determine if funds are being spent across different regions of the Province?

**MS SULLIVAN:** I think what we could say – and, Doug, you can clarify this. We could say that about 80 per cent of it is probably spent on the Avalon, which makes sense given the level of activity that happens here on the Avalon itself in terms of oil and gas, and if you look at the educational institutions and so on. I think that would be a general average of what is spent.

I do not know, Doug, if you want to be more specific than that.

**MR. TRASK:** Certainly, we do not make decisions on a regional basis. We look at the Province as a whole. Obviously, though, we do a significant amount of outreach to try and encourage businesses and academia to pursue R&D opportunities that are going to benefit their business or build capacity in institutions. It is fair to say I do quite a bit of that myself.

We have a director of business development who is regularly engaging companies in rural areas. We have several projects, I can give you some examples if you would like, of rural projects that meet the needs of those companies. I can certainly do that.

Search Minerals is one example, development of innovative technologies for the recovery and refining of rare earth elements in Labrador. We invested \$112,000 into a \$300,000 project, as an example. St. Anthony Cold Storage in the design and testing of new ice processing technology for safe harvesting of icebergs, we invested \$15,000 into \$181,000 project.

Dynamic Air Shelters, which the minister mentioned earlier, in Grand Bank. We helped them develop a blast shelter system in collaboration with the College of the North

Atlantic Burin campus where we invested \$249,000 into about \$1 million project. Burton's Cove Lumber in Hampden, development of a laser measurement system for the logging industry – that is quite unique in Canada – we invested \$122,000 in a \$190,000 project.

We are certainly open for business in any region or sector of the Province that is applicable, that has an R&D need. We proactively encourage that.

**MR. MITCHELMORE:** The list is very positive. We heard the Minister of Education talk about the Dynamic Air Shelters that they have there. It is not uncommon I guess that research and development would be around a lot of the educational institutions, and we see that here on the Avalon. There are other areas too, some suburban centres where you would see those types of investments happen in particular.

I only have maybe one or two other questions on RDC. Your research and development arm, is it possible to partner other levels of funding to the research and development government funding or is that a limitation that is not acceptable?

**MR. TRASK:** I guess the best way to answer that is we provide – quite often we break this down. If you look at other funding organizations in Canada in particular, like the Canadian Foundation for Innovation requires provincial funding to leverage the federal funding. We are the provincial source for CFI. We play a very direct role when it comes to particular national research organizations that provide funding as well. We never attempt to duplicate or replicate what others are doing. We focus on where there is a need, and in some cases there is a requirement for us to be providing that leverage to get national funding.

We also seek out leverage from other sources. We encourage all applicants, whether it is an institution or a company, to maximize the leverage they can get from their sources or other government agencies to ensure there is no duplication of effort. If you look at it from a program development perspective, we have positioned ourselves both in terms of programming and project funding at the project level to ensure we are not competing with

existing funding sources of departments. We collaborate with IBRD quite a bit to ensure there is no overlap and duplication.

At the project level, we exchange information quite a bit in terms of projects funded through their programs and ours. We do the same with the federal departments and agencies involved to ensure it is a collaborative effort that we are not duplicating what is out there.

**MR. MITCHELMORE:** Okay. I just have one more question, if I may, Mr. Chair, before we pass along to Mr. Murphy.

**CHAIR:** Quickly.

**MR. MITCHELMORE:** The RDC has a subsidy that gets put forward and it shows that it all gets spent. In years where the RDC is not disbursing the money, there is an account that would have carry-forward dollars. Would you be able to, just for the record, let the public know how much money would be available that is not already committed to current projects as carryover?

**MR. TRASK:** Exactly, you are correct.

Our legislation allows us to carry forward funds from one year to the next, and it reflects the fact that – I guess the point I was making earlier about multi-year projects. We would never be able to enter agreements with other institutions, with our own institutions and companies, if we did not have the ability to hold funds, and we have to be able to meet those obligations. Basically, we have been approving projects at a faster rate than we have been spending them, but in line with our budget.

I will give you an example, I guess. If you look at our 2014-2015 budget, internally, in terms of what we forecast as expenditures, we are probably in about the \$25 million range.

**MR. MITCHELMORE:** Okay.

**MR. TRASK:** That reflects, even though our budget is \$22 million, we are drawing down on resources from previous years, projects that would have been approved and contract and obligations that we had.

I guess speaking as well to – you wanted to get a sense of what we are investing in programs and projects, R&D specifically. For 2014-2015, our commitments to R&D programs, our estimated expenditures will be about \$19 million of the \$25 million; \$3.5 million in salaries. The balance is those other operating costs that I mentioned earlier. That is probably your typical – you are going to always have lagging expenditures over contracted approval, approved projects.

**MR. MITCHELMORE:** Thank you.

**CHAIR:** Moving on to Mr. Murphy, questions on 7.1.01?

**MR. MURPHY:** Thank you very much, Mr. Chair.

Good evening to everybody here this evening. Thanks for showing up to answer a few questions, we appreciate your efforts.

I only have a few questions as regards this particular branch of IBRD here this evening. I do not have too much. I just wanted to ask a question about Dynamic Air Shelters that was brought up. I am just wondering about the total dollar investment now that it has gone into that, total government money. Do you have a number there or –?

**MS SULLIVAN:** I did not catch Dynamic Air Shelters. Do we know the exact dollar figure that has been invested there so far?

**MS MALONE:** It is approximately \$2.3 million, the bulk of which is repayable in term and equity. Some have been around skills support, older workers training, and the like.

**MR. MURPHY:** Okay, so it is a repayable loan of sorts (inaudible) –

**MS MALONE:** The bulk of it is, and it is performing very well.

**MR. MURPHY:** Okay, thank you very much for that.

The other question I had was about the programs that were announced just this week, Minister. I wanted to get some information. I guess that



would probably be contained in your line item here, total for the department? The Build Ventures program, I am just wondering if you can give us some information on that, as well as the Venture Newfoundland and Labrador Fund that are going to be coming out.

**MS SULLIVAN:** I do not know if you want to wait until we actually start the line items here within –

**MR. MURPHY:** Oh, that is in a different section, okay.

**MS SULLIVAN:** Yes, that would not be with RDC.

**MR. MURPHY:** Okay.

Well, that is all I have for now then.

**CHAIR:** Thank you, Mr. Murphy.

**MR. MURPHY:** I am going to on to another line item.

**CHAIR:** I would like to recall 7.1.01.

**CLERK:** Subhead 7.1.01.

**CHAIR:** Shall 7.1.01 carry?

All those in favour, 'aye'.

**SOME HON. MEMBERS:** Aye.

**CHAIR:** All those against, 'nay'.

Carried.

On motion, subhead 7.1.01 carried.

**CHAIR:** With that, we will go back to 1.1.01.

**CLERK:** Subhead 1.1.01.

**CHAIR:** Mr. Mitchelmore.

**MR. MITCHELMORE:** I would just like to ask about 1.1.01, Salaries. The revised amount last year saw an increase of \$160,000-plus in Salaries for the Minister's Office. Could we get some clarification around were there additional

people hired, or is this a Parliamentary Secretary, et cetera?

**MS SULLIVAN:** It is actually \$161,400 increase, and that reflects severance and paid leaves costs for retiring employees. That is about \$115,000 of the \$161,400. Costs of two positions that were moved to IBRD in October were anticipated at about \$34,000. That would have been a Parliamentary Secretary and a CA.

There were no additional funds that were transferred for that position, so that would be right there. The step level change for current incumbents of about \$5,000, and the car allowance for a minister.

**MR. MITCHELMORE:** Okay. So the current amount then would be the difference between the employee who left for severance or – the \$336,000, how many employees is that covering?

**MS SULLIVAN:** Well, how many employees that left, I am not sure, but the current amount there would look at – there is one ADM position there, but also it would look at the requirements for any of the current staff as well as the 2 per cent salary increase and the pay level increases as per the collective agreement.

**MR. MITCHELMORE:** Okay.

Why do you anticipate such a jump in Employee Benefits to \$4,000?

**MS SULLIVAN:** Are you still looking at line –

**MR. MITCHELMORE:** Under the Operating Accounts in the Minister's Office.

**MS SULLIVAN:** Okay. We are looking there at an increase of \$2,000 basically from the \$2,000 that would have been budgeted to the \$4,000 under Employee Benefits. That essentially reflects an increase to cover the cost for the Parliamentary Secretary related to the Office of Public Engagement.

**MR. MITCHELMORE:** Okay.

Transportation and Communications, there is also an increase there of basically more than double from the revised amount last year.

**MS SULLIVAN:** Yes, it is an increase of \$30,800. That reflects increases in meal allowance rates as per the collective agreement, as well as budget increases to IBRD to cover travel costs for a Parliamentary Secretary that was related to the Office of Public Engagement.

**MR. MITCHELMORE:** Okay. What about under the Executive Support in Salaries. We are seeing a reduction here from the revised amount of over \$1 million down to \$913,400. That would also have to account for the increase in Salaries.

**MS SULLIVAN:** Yes. The estimated budget is what you are referring to, I am assuming here.

**MR. MITCHELMORE:** Yes.

**MS SULLIVAN:** That reflects the funding requirements for the current staff complement of the division and adjustments of the 2 per cent salary increases as per the collective agreement as well as the pay level step increases.

**MR. MITCHELMORE:** Were there positions lost in the Executive Support?

**MS SULLIVAN:** There was a vacancy in the Executive.

**MR. MITCHELMORE:** There is a vacancy, okay.

**MS SULLIVAN:** There was. That is now filled, just this week.

**MR. MITCHELMORE:** Okay.

Under 1.2.03, Policy and Strategic Planning, I am wondering, \$75,000 under Grants and Subsidies was budgeted last year, \$75,000 is revised, and it is estimated this year that you will spend \$75,000; where is this money going?

**MS SULLIVAN:** There is \$25,000 for the MUN Harris Centre Applied Research Fund and there is \$50,000 there for the MUN Collaborative Applied Research in Economics.

**MR. MITCHELMORE:** Great.

Under 1.2.04 Administrative Support, the Operating Accounts for Property, Furnishings

and Equipment last year you budgeted \$20,000, the revised amount came in much higher at \$54,200 and this year it is down to \$20,000. Can you explain why there would be an increase?

**MS SULLIVAN:** In the revised for 2013-2014 there was an increase that covered the cost of two vehicles that were needed in the business and economic development division. One was for the Eastern Region and one was for Labrador.

**MR. MITCHELMORE:** Those are employee vehicles? How many vehicles do you have in your department?

**MS SULLIVAN:** Eleven.

**MR. MITCHELMORE:** Under 2.1.01, Trade and Export Development if we go down to the Grants and Subsidies section, the Grants and Subsidies last year was much higher at \$1,737,300 and now it is dropped basically by \$1.5 million. Did this money go somewhere else? Has it been reallocated?

**MS SULLIVAN:** No, essentially the decrease of the \$1.5 million reflects the sunset of the Aerospace and Defence Fund. Through previous budget decisions that decision was taken, but we are very confident that the A&D sector – because the money that was originally put in was for stimulus money. We are very confident now that that sector itself can be adequately supported through the department's general regional and business development programming.

**MR. MITCHELMORE:** Okay. You do not have any specific dollars allocated for the Aerospace and Defence industry? Was there uptake? Was the uptake good in that program?

**MS SULLIVAN:** I will have Alastair give you the specifics on that.

**MR. O'RIELLY:** Last year you may recall that the department had some twenty-one programs that were consolidated basically in two funding streams. That was evident for all programs, including the Aerospace and Defence sector. This past fiscal year was the last year of funds in that program.

It was a planned reduction. It had been budgeted and forecast in previous years. So now there is still funding available to do these types of initiatives, it is just part of the broader pool of funding that is available to the department in the normal loans, grants, and other support initiatives.

**MR. MITCHELMORE:** Okay.

The federal revenue that is attached to this is \$300,000 estimated. That is what it was budgeted last year, but the amount revised came in less. Can you give an explanation as to why the revenue would be less?

**MR. O'RIELLY:** I am sure it has to do with how much we had on individual projects. A lot of the projects that we did under that program were levered with federal support initiatives. It would reflect that I guess and in terms of what the cash flow was over the year. I cannot give you more specifics in terms of what particular project there was a shortfall in.

**MR. MITCHELMORE:** Right. My question would be for this year anticipating \$300,000 if it is attached to aerospace and defence, a particular fund, that it may not reach that level. Do you get that money from the federal government through some sort of other trade and export development initiative through their federal department or program?

**MR. O'RIELLY:** Yes, there is a program. You may remember the business support program, which are basically trade initiatives that are done jointly with the federal government and cost shared across the Atlantic region.

**MR. MITCHELMORE:** Right. Those would be to fund trade missions and things like that?

**MR. O'RIELLY:** Yes.

**MR. MITCHELMORE:** Okay. That would cover things when you send people as well to events whether it be to Europe, Brussels for an event, or to different marketing we have seen. Can you give us a list of what delegations or trade missions or undertakings that have happened by the department in the last year?

**MR. O'RIELLY:** There is quite a long list of those that I do not have at hand; we would have to supply it later.

**MR. MITCHELMORE:** Yes, no we can get a list at a later date. We have seen releases come out where there has been a delegation and the process. When the department does a trade mission around export development, does it do any type of analysis or follow-up with the companies to see if the mission itself has produced results and helped increase trade?

**MS SULLIVAN:** Absolutely, we do. I remember seeing a note with regard to the statistics about some of the people who have gone on the mission and some who were able to have immediate sales as a result of those missions, and some who were able to later on contract and have some sales. I do not know if, Daryl, you have the specifics there and you can give that information as well.

**MR. GENGE:** Yes, we do follow up surveys with all of the companies that we take on trade missions. It is both IBRD-led trade missions, as well as IBDA, which is an International Business Development Agreement. Based on our analysis, as the minister mentioned, we have received or we have assessed that one-third of the companies have actually signed agreements, one-third of the companies have reported sales, and 70 per cent of the companies that we have dealt with anticipate that they would see sales in the coming year.

**MR. MITCHELMORE:** Okay, thank you.

**CHAIR:** Okay, Mr. Mitchelmore – moving on to Mr. Murphy.

**MR. MURPHY:** Thank you very much, Mr. Chair.

I just want to come back to 2.1.01, under Trade and Export Development. I have a couple of questions on the line items. Transportation and Communications, the revised number for last year was \$330,000 from the budgeted \$285,000. So I am just wondering about this line item, what happened here?

**MS SULLIVAN:** The additional increase there of \$45,000 reflects higher than anticipated

expenditures for travel, due to incremental travel required for CETA particularly, and other trade agreement negotiations. I think CETA would account for the lion's share of that piece.

**MR. MURPHY:** Okay.

Professional Services, two lines down from that, \$500,000 budgeted for this year's Estimates. The budget was \$500,000 last year as well, but only \$400,000 was spent here on this line.

**MS SULLIVAN:** That decrease certainly reflects a temporary reduction in IBDA initiatives, but as well it reflects savings related to some in-market consultation fees, some market research delayed until the next fiscal year and so on. We know that with various emerging markets then we are going to see a drive toward increased expenditures in 2014-2015 to a warrant going back up to the \$500,000 estimate.

**MR. MURPHY:** Okay, so that would explain possibly why your Purchased Services amounts were lower last year versus what they were budgeted and projected for this year again, is it?

**MS SULLIVAN:** To the same degree, yes, we are looking at less than anticipated expenditures for meeting costs there as well, equipment rentals, other purchased services, and so on.

**MR. MURPHY:** Okay, great.

Getting down to 2.1.02 – I am not quite sure if this one was covered, so I will just ask about it again. Professional Services here, \$8,000 was spent against \$78,200 that was in the budget, and again this year that number is the same.

**MS SULLIVAN:** Again, if you look at the discrepancy between the \$78,000 that was budgeted and is also estimated for next year and down to \$8,000, what we are seeing there, essentially, is that it is a result of a delay in the development and execution of a marketing strategy that was in place, but it has been delayed and moved out into fiscal 2014-2015.

**MR. MURPHY:** What was that marketing strategy? Can you tell us?

**MS SULLIVAN:** I did know it, but I do not recall it. We have only just done a soft rollout

of it. It is a "we're in" campaign. It would be similar to the innovation campaign that was done last year.

**MR. MURPHY:** The "we're in" campaign, as in we are in?

**MS SULLIVAN:** We are so.

**MR. MURPHY:** All right.

**MS SULLIVAN:** More to come.

**MR. MURPHY:** I had to do that for Hansard. You do not have any more details other than that there is something there or what it is about?

**MS SULLIVAN:** We have not rolled it out in its completion. It is something that we will roll out this year. You will recall the innovation strategy and the marketing program that we did last year called Innovation Lives Here.

**MR. MURPHY:** Yes.

**MS SULLIVAN:** It would build on that kind of strategy.

**MR. MURPHY:** Okay. I will not ask you anymore; I will not ruin the grand launch. There is a grand launch happening, but we will not get into it. We will let the aerospace line look after the launch of that. Thank you very much.

Subhead 2.1.03, Investment Attraction Fund, line 08, Loans, Advances and Investments, the revised number for this year was \$4 million and you budgeted \$15 million. I am just wondering about the \$11 million difference.

**MS SULLIVAN:** It reflects a decrease in the projects that were approved this year. Daryl can give you more detail as to that.

**MR. MURPHY:** Okay.

**MR. GENGE:** I will ask Rita to step in as well on specific projects. Our Investment Attraction Fund, as you know, is available for us to incentivize companies as well as incentivize investors that are looking to establish operations in Newfoundland and Labrador.

Our sales cycle with those companies may take longer than we anticipate. What we do is we budget for the current year, but by the time companies actually get established, start operating and incurring costs, that may be further out over year over year. Based on our projections this year we are seeing that significant pickup in that arena as well, plus we are also investing in venture capital, which is going to be a significant instrument for our companies here in the Province to grow.

**MR. MURPHY:** Right. I noticed in this particular line item I think it was last year and the year before that there was some difficulty with these numbers. This is a constantly rolling fund, is it? Can you give me some idea how that works? You are talking about companies that are actually moving in here into the Province, is it that this money would be directed to?

**MR. GENGE:** Yes.

**MR. MURPHY:** Have they given any clear reasons why they – I do not know if they are holding back from moving here after. Are they saying any reason why that they do not come here afterwards?

**MS MALONE:** We actually approved significantly more than \$4 million. Four million is what we were able to advance according to the program. I will give you an example of one of the investments. It is Marwood lumber in Jamestown. They came to this Province and secured a 1.6 term loan with us, repayable, interest bearing secured because we have fibre and we have access to European markets. That is a big construction project to do wolmanized wood and the like; therefore, we were not able to advance all the money in the current year.

Daryl is quite correct. We have about \$8 million in the hopper this year that we are under review, and this is investment attraction, new industry, joint venture, the like, and the balance of that \$15 million which is an A-based budget would be to accomplish our recently announced two-prong venture capital investment program that you asked about earlier.

**MR. MURPHY:** Okay.

Any other companies that you can talk about that are talking about the possibility of using this fund?

**MS MALONE:** I do not want to be talking about negotiations and files that are midstride. I hasten to add, though, they are across a number of sectors and a lot have to do with the supply chain as well as knowledge-based type industries. I will tell you we have also invested in Goodfellow Inc. in Deer Lake who is into the wolmanizing wood business.

We have also invested in other companies including Silk Stevens which is working on the aquaculture industry. These are all new investment monies to develop and expand or even, in some cases, introduce a new industry.

**MR. MURPHY:** I would imagine that there is probably some commercial sensitivities for some of these companies too (inaudible) –

**MS MALONE:** Yes, when I say that we have \$8 million, there is a number within that and we are diligently progressing with our normal due diligent process.

**MR. MURPHY:** I can understand that.

Under 3.1.01, Business Development, the first question has to do with the salary line. There was a considerable increase over what was budgeted last year and at the same time that number is up well again this year to \$707,200. I am just wondering if we can see what is going on here with this line.

**MS SULLIVAN:** The budget reflects funding requirements for our current complement of staff in the division and it also includes a re-profiling for two positions: one is a financial admin officer and the second is an industrial development officer. As well, of course, it is the adjustment of the 2 per cent salary increases as per the collective agreement, and again, the pay level steps.

**MR. MURPHY:** Okay.

Down to Transportation and Communications, \$20,000 for this line versus the revised from last year – the budget actually showed \$40,000 here. Something did not happen, I guess.

**MS SULLIVAN:** The decrease was less than anticipated travel, due to a reduction in planned travel. There were fewer boards meeting during the year. As well there was a resignation of a board member from Labrador – am I looking at the right one here? Yes, I am – and the freeze on discretionary travel as well.

**MR. MURPHY:** How did the department compensate for that?

**MS SULLIVAN:** Compensate for –

**MR. MURPHY:** Well, I imagine because there was less air travel that sort of thing – did you use any of the technologies or anything, Skype, that sort of thing to do it?

**MS SULLIVAN:** Sure.

**MR. MURPHY:** Okay, so you did compensate globally.

**MS SULLIVAN:** Teleconferencing and those kinds of things were regular.

**MR. MURPHY:** Okay, so the Estimates number now is up again this year to \$40,100. Do you anticipate probably going through that amount? Are we back to normal spending, so to speak, for the department, would be my concern?

**MS MALONE:** Yes, as part of our re-tooling the programs, we revised our policies and procedures such that we are being more flexible and broader in terms of business supports. So that will cause Business Investment Corporation Board of Directors meetings to award decisions on funding.

**MR. MURPHY:** Okay.

**MS MALONE:** We have great expectations again from the hopper that we work with that we will have every need for that. Not only for the decision, but is it also the account management and follow-up on the investments that we put through Newfoundland and Labrador.

**MR. MURPHY:** Okay, so it is directly related to the other programs that you were talking about previously in another question as regards the \$8 million?

**MS MALONE:** Absolutely.

**MR. MURPHY:** Perfect, okay.

I see that my time is up, but I only have one or two more questions on this particular section if Mr. Mitchelmore does not mind.

**CHAIR:** Quickly, Mr. Murphy.

**MR. MURPHY:** Thank you very much.

Under Professional Services, \$50,000 versus the revised figure of \$28,000, and it budgeted again last year for \$50,000. So I guess we were talking about where the freeze was on the travel, that sort of thing, and outside purchases, maybe?

**MS SULLIVAN:** No, for Professional Services it was just simply less than anticipated expenditures for consultants, and also for legal fees.

**MR. MURPHY:** Okay, great.

Just down to Revenue – Provincial, an explanation about that little \$700 amount?

**MS SULLIVAN:** It reflects reimbursement of interest costs, I think, for the fisheries loan.

**MR. MURPHY:** Perfect, okay. That is all I have. I digress.

**CHAIR:** Thank you, Mr. Murphy.

Back to Mr. Mitchelmore.

**MR. MITCHELMORE:** Yes, I would like to go back to 2.1.03, Investment Attraction Fund. If I understood the conversation, this fund itself includes the new Build Ventures and the fund that government will do for Newfoundland and Labrador exclusive companies. The Budget announced \$10 million for the Build Ventures, and it was \$2.9 million for the Newfoundland and Labrador-based venture capital fund. Is that correct?

**MS MALONE:** It is \$10 million for both.

**MR. MITCHELMORE:** Total? Or \$10 million –

**MS MALONE:** Yes, \$20 million.

**MR. MITCHELMORE:** Twenty million dollars?

**MS MALONE:** Yes.

**MR. MITCHELMORE:** If there is \$20 million in the venture capital fund, I am just looking at the Estimates for expenditures, loans, advances; it is \$15 million here under this section. You talked about \$8 million. I am not adding up these numbers correctly. If you could explain.

**MS MALONE:** Right. Good question.

The total investment pot over time will be \$20 million.

**MR. MITCHELMORE:** Okay.

**MS MALONE:** We will be joining with Atlantic Canada which is over \$60 million now.

**MR. MITCHELMORE:** Yes.

**MS MALONE:** We will take from this Business Attraction Fund based on calls for investment. We will be introducing a call this year, and we have projected roughly \$5 million for the two calls. Part will go onto the made in Newfoundland and Labrador, as well as part to join with the larger investment pot. It is a matter of how we call and how robust the uptake is. We have this cash flowed over three, four, five years.

**MR. MITCHELMORE:** The department has not transferred or is not planning to transfer any money specifically to the Build Ventures Fund upfront.

**MS MALONE:** Yes, out of the Business Investment Fund this year we will be using approximately \$5 million for the two. That is based on our regular strong projections we have done about what is in process and why it can be in progress in regions of this Province by way of venture capital.

**MR. MITCHELMORE:** Okay. Can you provide more detail on the Newfoundland and Labrador only fund specifically? Will it be shared equally, like \$2.5 million each?

**MS MALONE:** It will be partly based on the drawdown and interest, and obviously the Made in Newfoundland and Labrador. We have a very strong interest in that because that will help follow on to the Atlantic one, which is larger capital.

**MR. MITCHELMORE:** Right. I am trying to understand how this will work then in terms of being part of an Atlantic fund, because if Newfoundland and Labrador is investing in this fund there would not be a guarantee that the money would flow back to Newfoundland and Labrador if it is an Atlantic fund but it would allow for a company to attach to a larger pot of funds that are available.

Certainly, if Newfoundland and Labrador contributed some money and an investor wanted to come to Newfoundland and Labrador, they could avail of more than what the provincial government is contributing. Am I correct on that, Ms Malone?

**MS MALONE:** Yes, but the idea of making the Made in Newfoundland one is to encourage support for venture capital opportunities in emerging sectors.

**MR. MITCHELMORE:** Okay.

**MS MALONE:** In the ideal world, as these grow and expand and are requiring more capital, they will be able to access that in the larger venture capital piece. We decided two funds to ensure our Newfoundland companies, or companies we attract to domicile in Newfoundland, have every opportunity to move forward to the Atlantic. As I said, that is a \$65 million-plus growing pot, so a greater opportunity for our companies to grow.

**MR. MITCHELMORE:** Obviously, you anticipate that as interest grows, like as it has with RDC and other areas, the budget will increase. You anticipate it to get up to \$10 million at some point.

**MS MALONE:** Definitely.

**MR. MITCHELMORE:** For each particular fund.

**MS MALONE:** Yes, definitely; and not to forget, Mr. Mitchelmore, there are other partners in these funds. Besides the private sector there are other partners that are signing on, and details will unfold in the next few weeks.

**MR. MITCHELMORE:** Okay.

In the Newfoundland and Labrador exclusive fund then, it is not just the provincial government's money. There will be other angel investors or other people who want to be part of the venture capital network. That clarifies things. I will certainly wait to see what further details come from those particular funds, but the numbers itself, you had talked about the venture capital funds were included in here plus \$8 million. I just could not make those numbers work.

**MS SULLIVAN:** You could not square them up.

**MR. MITCHELMORE:** Thank you for clarifying that.

Under 3.1.01, Business Analysis; I believe maybe Mr. Murphy may have asked primarily the questions that I had, and maybe I missed, but the Revenue – Provincial \$700. Was that reimbursement for the dinner that was talked about?

**MS SULLIVAN:** No, that was the fish. Yes, that was the fish loan was it? I cannot remember. I am lost on pages here, I am sorry.

**MR. MITCHELMORE:** Okay. It is page 11.8, under 3.1.01 Business Analysis. Under 02 Revenue – Provincial there is \$700. That would have come from some other department?

**MS SULLIVAN:** That is the reimbursement of the interest cost for the loan. That was the fisheries loan.

**MR. MITCHELMORE:** Okay.

I do not see in the budget itself around the Fisheries Loan Guarantee Program. When I sat in the Fisheries and Aquaculture Estimates I was told that this would fall under the IBRD Estimates. Would this be the place to ask the questions?

**MS SULLIVAN:** We can answer them now.

**MR. O'RIELLY:** It is not a budgeted item because of course what the Province provides is a guarantee through the commercial banks. That is why it does not appear as an expenditure item. It is one of exposure, a contingency in the event of a business failure.

**MR. MITCHELMORE:** Right. Can you give us a value as to how much the department is guaranteeing under this program?

**MR. O'RIELLY:** A specific dollar value?

**MR. MITCHELMORE:** Yes, a specific dollar value and the number of guarantees that you would have out there for specific enterprises.

**MR. O'RIELLY:** Yes. I would like to furnish that later, if that is okay, because I would not be 100 per cent accurate right now. I would be pretty close to what it would be, but the guarantee itself is, of course, 100 per cent from all the financing that is provided.

**MR. MITCHELMORE:** Right. I guess it would be changing as financing is being paid?

**MR. O'RIELLY:** It changes continuously as loans are issued. I can tell you that program was significantly enhanced and expanded in May of 2012. Since that time, there has been a significant increase in the demand on the program. It is certainly meeting the desired objective of helping harvesters consolidate their operations and their quotas and licences, which are now eligible for financing.

**MR. MITCHELMORE:** Right.

**MR. O'RIELLY:** Those changes have been very well-received by the industry.

**MR. MITCHELMORE:** The finance and the guarantee itself has been able to help the financial institutions and the fish harvesters themselves achieve lower interest rates by going to the bank in that way with the guarantees. Is that correct?

**MR. O'RIELLY:** Yes. The changes that were made, of course, were to support lower interest



rates. That is part of the benefit of having the Province provide the guarantee.

The real change was to allow harvesters to consolidate their operations and to combine their enterprises, and so doing have a much more viable business venture. It is working extremely well, because what you are seeing is some of the more assertive, aggressive entrepreneurs who are in the industry acquire other licences and businesses. It is an exit strategy for some of the people who want to get out of the industry, and it is also a good opportunity for more entrepreneurial younger harvesters to add more economic units.

**MR. MITCHELMORE:** Right.

Under section 3.1.03, Strategic Enterprise Development, it budgeted \$16,229,000, it does not look like any money was spent last year through the Business Investment Corporation, and it is back up to \$16 million. Can you provide greater detail, Minister?

**MS SULLIVAN:** Sure. That reflects a delay in the Canada Fluorspar Project, an overall delay in that project. That resulted in a delay in payout for the current fiscal year, but the project is moving ahead and we are hopeful that we will see more activity next year there.

**MR. MITCHELMORE:** Okay.

I think I have skipped one there, but my time has elapsed. Certainly Mr. Murphy can continue on. I can come back, Mr. Chair.

**CHAIR:** Thank you, Mr. Mitchelmore.

Back to Mr. Murphy.

**MR. MURPHY:** What is delaying the fluorspar project, do we know?

**MS SULLIVAN:** I am sorry?

**MR. MURPHY:** Do we know what is delaying the fluorspar project?

**MS SULLIVAN:** This is a project that we have supported to the tune of about \$17 million, and we remain committed to that. Right now we know there is opportunity there to generate jobs

in terms of construction and strengthening of infrastructure that is there and so on.

We are looking right now at a US-based equity company that has entered into an agreement here to acquire the outstanding common shares of Canada Fluorspar. That investment and their interest in investing is certainly a very positive indication of the progress that we expect to see in that whole reactivation piece.

**MR. MURPHY:** Okay. This is – I am just trying to remember now. That is the \$17 million, well \$16,229,000 –

**MS SULLIVAN:** It was a \$17 million commitment on our part.

**MR. MURPHY:** Yes. This is the third year now, is it? (Inaudible).

**MS SULLIVAN:** That would be three, yes.

**MR. MURPHY:** Okay. So that money has just been there ever since, pretty much?

**MS SULLIVAN:** That is right.

**MR. MURPHY:** All right, thank you for that.

Under 4.1.01, moving over to Innovation, Research and Technology; under Transportation and Communications there is \$7,000 not spent, and the same, I guess you could say increase this year in the budget here. What do you anticipate spending it on?

**MS SULLIVAN:** It is pretty well the same sort of answer in most of the transportation categories. It reflects less than anticipated travel due to a reduction in the planned travel costs overall as a reduced number of staff have been attending some of these meetings and so on, and a bit of a freeze on discretionary travel there as well.

**MR. MURPHY:** Okay.

Down to Purchased Services, the revised figure is \$255,000 against a budgeted \$15,000; \$240,000 more, I wonder if we can get –

**MS SULLIVAN:** That one is an increase of only \$240,000.

**MR. MURPHY:** Only a drop.

**MS SULLIVAN:** It reflects costs related to repairs for the cables for the Atlantic Cable Facility. Government, as you know, is the co-owner of that facility and through an Indefeasible Right of Use Agreement with EastLink, we also incur some of the costs when there are issues there around, not maintenance but in this case breaks in the subsea portion of the Atlantic Cable Facility. That is what we have seen there. There have been some breaks that have happened, and we pay for our portion of the cost. We have two of the twenty-four fibres there. So, we pay the one-twelfth of the cost.

**MR. MURPHY:** I would anticipate then that the \$15,000 budgeted this year – you do not anticipate any more breaks in the cable.

**MS SULLIVAN:** We would certainly hope not.

**MR. MURPHY:** Let's pray.

**MS SULLIVAN:** Yes.

**MR. MURPHY:** Under Grants and Subsidies \$2,333,000 was the revised figure. The budget showed \$4.5 million this year, anticipated \$4.9 million.

**MS SULLIVAN:** For that one basically in 2013-2014 \$6.25 million was announced for RBI III and that funding was allocated over two years, with \$3.5 million in 2013-2014 and \$2.75 million in 2014-2015; but because we had only approved \$1.3 million for the Coast of Bays section this year, then the rest is carried over to 2014-2015.

**MR. MURPHY:** Okay, so that is why the \$4.9 million (inaudible) rollover –

**MS SULLIVAN:** That would result in \$4.9 million too.

**MR. MURPHY:** Okay, that is great. Thank you very much for that.

I wanted to come back to one section that I did miss. Subhead 3.1.02 was the section that was missed, was it, Ivan? Yes, 3.1.02; I only have two questions on that one. The Professional

Services line, \$20,000 budgeted this year against \$14,000 that was actually spent. Are we talking about a part of the austerity programming that was in place?

**MS SULLIVAN:** No, a decrease there of \$6,000 reflects less than anticipated audit fees.

**MR. MURPHY:** Okay. Well, that is great, I guess, in one sense.

**MS SULLIVAN:** That is good.

**MR. MURPHY:** Under Purchased Services, this year it is showing \$113,300. I guess we can get an explainer on the whole line, \$85,000 was the revised figure, and \$75,000 was actually spent.

**MS SULLIVAN:** That reflects an increase in the cost of the lease for the Marystown office.

**MR. MURPHY:** Perfect. Okay, thank you very much.

Under 4.2.01 – sorry to make you flip back and forth, but I had to get that one covered while we were there.

**MS SULLIVAN:** We are good.

**MR. MURPHY:** Subhead 4.2.01, Strategic Industries Development, first off the Salaries line shows pretty much a huge increase, \$1.093 million is the revised figure against what was budgeted of \$838,600.

**MS SULLIVAN:** Yes, that reflects the cost of severance and leave for departing employees, as well as the TOIL, which is in lieu of overtime, the monies paid out in lieu of overtime, and signing bonuses as per the collective agreement.

**MR. MURPHY:** Okay. How many employees did we lose here in this department?

**MS SULLIVAN:** How many –

**MR. MURPHY:** Well, I am not sure if we actually lost any employees. They could have been retirements.

**MS SULLIVAN:** They would have retired.

**MR. MURPHY:** Okay.

**MS SULLIVAN:** I do not know that number. In that division, it would have been three.

**MR. MURPHY:** Three people?

**MS SULLIVAN:** Yes.

**MR. MURPHY:** Okay. The salary line 2014-2015 estimate would be reflective of the 2 per cent?

**MS SULLIVAN:** Yes.

**MR. MURPHY:** Down to Transportation and Communications, \$100,000 was budgeted and \$70,000 is the revised figure. We are talking about austerity and less travel?

**MS SULLIVAN:** Less numbers of people attending conferences, yes.

**MR. MURPHY:** Okay, and then the \$101,600 is back up again to regular spending.

**MS SULLIVAN:** It also reflects an increase in the cost of the meal allowance rates.

**MR. MURPHY:** Okay, great.

Professional Services, \$60,000 not spent. I am just wondering, what were the professional services that might have warranted having \$60,000 on hand?

**MS SULLIVAN:** Last year under Professional Services there, the division hoped to undertake a piece of research in co-operation with ACOA and the Department of Natural Resources. That particular piece of research would have looked to investigate and report on the industrial local benefits regimes and policies that are in place in the offshore oil and gas and in minerals as well, and they would have looked at other jurisdictions. They certainly wanted to analyze those approaches and their effectiveness in relation to what we are able to see here.

It was a fairly extensive piece of work. It would have been funded jointly by us in IBRD and ACOA, but it was felt that pursuing this work early in the new fiscal year would allow for us to be able to do a much more comprehensive and

robust report, so the money is simply pushed forward to do it in this year's budget.

**MR. MURPHY:** Okay, great. Thank you for that.

Under 5.1.01, Regional Economic Development Services, Transportation and Communications, again that number is down. I wonder if that is with austerity again.

**MS SULLIVAN:** Yes, for the most part, that is what it is.

**MR. MURPHY:** Okay. It looks like your salary details are up here a little bit too this year against what was actually the revised for last year. Do we have new people here or is this just – I do not think it is 2 per cent?

**MS SULLIVAN:** No, this would have been the same as the last category. It would have to do with the cost for severance and leave for retiring employees offset by savings from delayed recruitment from vacant positions as well.

**MR. MURPHY:** Okay.

I see there are only fifty seconds left. I do not know if Mr. Mitchelmore wants to start off with a new section or a line of questions or anything. I did not want to start a new line item right now, unless he wants to digress. I will pass it over –

**CHAIR:** Thank you, Mr. Murphy. We will go back to Mr. Mitchelmore.

**MR. MITCHELMORE:** I want to ask – maybe I am missing the criteria for it, but the Centre for Forest Science and Innovation, the \$250,000 that was announced in the Budget, which area of your budget would that come from, or is that in RDC?

**MS SULLIVAN:** I am not sure.

**MR. MITCHELMORE:** Is that funded through the Department for Natural Resources, Forestry and Agrifoods Division?

**OFFICIAL:** Is it a line item?

**MS SULLIVAN:** Where is it?

**MR. MITCHELMORE:** Well, it was announced in the Budget that there was \$250,000 for the Centre for Forest Science and Innovation. I am just wondering if that was something that fell under your department or not.

**MS SULLIVAN:** It is probably Natural Resources.

**MR. MITCHELMORE:** Okay, great. I just wanted to clarify that.

Under 4.1.01, Innovation, Research and Technology, the Grants and Subsidies, you talked about the Rural Broadband Initiative. I have asked previously in this Chamber for a list of communities that have access to broadband Internet. Is that something your department can provide?

**MS SULLIVAN:** With some difficulty. We can tell you that there are about 500 communities – do we have a complete list, though?

**OFFICIAL:** EastLink recently (inaudible).

**MS SULLIVAN:** Yes, that is right. EastLink has told – I think they have given us the okay now that we can release that information. That was their information, of course. So, yes, we can probably release it.

**MR. MITCHELMORE:** Will that be something you will make as your Open Government Initiative, maybe, and just make it public?

**MS SULLIVAN:** Well, it is aggregate information. It is not something that was our information to start with. It was EastLink's information, but my understanding is what we have we can release to you.

**MR. MITCHELMORE:** Okay, great. I look forward to that.

Do you have a goal set in your Grants and Subsidies under this amount of money for a target number of communities that will receive broadband Internet? I know there was a call for proposals, the call had been expanded. Likely an announcement will be coming on this matter, but without going into any details, did you have

a particular target, or do you anticipate that we are going to get up to maybe forty, fifty, seventy more communities with this initiative?

**MS SULLIVAN:** I am going to ask Mark to give you the details on that. What I can tell you though is that the call has closed, as you would know. There are seven proposals that are being looked at and analyzed, and I guess until that analysis is completed we would not know exactly what we can accomplish there.

I will ask Mark to give more detail.

**MR. PLOUGHMAN:** Our average costs per household to date, to the previous RBI calls, have been about \$500 or \$600 per household. We know that as we get up into the nineties, the high nineties, we expect that number is going to increase exponentially.

We have a rough expectation that we would hit probably 3,000 or 4,000 households with this call, but it will be hard for us to – because it is based on the submissions that the carriers provide to us – predict exactly what they would provide to us. Based on our average numbers, we would expect to hit those kinds of numbers.

**MR. MITCHELMORE:** Okay.

I guess this would probably fall under Strategic Industries Development. I am wondering if that division is doing any research on Wi-Fi mesh networks. Is there any money budgeted for the research and development of implementing such a technology, a strategy for improved wireless, basically?

**MR. PLOUGHMAN:** All wireless technologies, fixed wireless and otherwise, have been part of our dialogue with the carriers. We have invited those kinds of proposals from the carriers for a RBI call.

We work and have worked very closely with the carriers, not just the carriers, but also the equipment suppliers over the past year or two to examine what types of technologies we can move forward with under the call. One of the criteria on the call was we were looking for the carriers to bring us innovative solutions, but it would not be something that we, as a

department, would specifically investigate beyond our regular dealings with the carriers.

**MR. MITCHELMORE:** Right, okay.

Under Field Services, 5.2.01, Business and Economic Development Services; these would be all of the offices where you have economic development officers, the salaries for that section?

**MS SULLIVAN:** I am sorry, where is that?

**MR. MITCHELMORE:** It is 5.2.01, Business and Economic Development Services.

**MS SULLIVAN:** Yes, and you are asking if that would refer –

**MR. MITCHELMORE:** I am asking if the salary line there reflects the economic development officers.

**MS SULLIVAN:** Yes. You are talking about the twenty-two field offices and regional offices, yes.

**MR. MITCHELMORE:** Okay.

Under the Operating Accounts there, the Purchased Services, what reflects the planned increase that there would be close to \$200,000 more in expenditures there?

**MS SULLIVAN:** Again, that would be an increase in lease costs. Those would be the lease costs right across the Province in Avalon, Eastern, Central, Western, and Labrador offices.

**MR. MITCHELMORE:** Can we get a list of the lease agreements for those offices?

**MS SULLIVAN:** Yes.

**MR. MITCHELMORE:** Great.

Under 5.3.01, Comprehensive Economic Development, Grants and Subsidies. You had anticipated \$12.5 million and there was \$15.3 million. There was a changeover of programming last year that created those two kinds of funds that were available. It looks like uptake was better than anticipated.

Can you explain maybe the process and how that changeover has led to a greater degree of investment, and if we can have a list of who received grants and subsidies?

**MS SULLIVAN:** We can get that list, yes.

**MR. MITCHELMORE:** Okay.

Would we be able to get a breakdown in that list of what is actual lending by loan and what would be an equity investment?

**MS SULLIVAN:** Yes, this one would be all grants.

**MR. MITCHELMORE:** All grants?

**MS SULLIVAN:** Yes.

**MR. MITCHELMORE:** Okay.

I guess the next section then is where are the actual loans that would be dispersed, or does that go back to the \$8 million that we talked about previously for business investment attraction?

**MS MALONE:** Our revolving loan, which is for commercial clients, resides with a business investment corporation, which is a separate corporate entity governed by an arm's-length board.

**MR. MITCHELMORE:** Okay.

**MS MALONE:** We currently have between \$17 million and \$20 million available for investment to enterprises, and it is a revolving basis. Repayments go back into the investment pot for reinvestment in regions and rural areas of Newfoundland and Labrador.

**MR. MITCHELMORE:** Okay. Thank you for clarifying that.

This type would cover things like your community capacity building and other related ventures, non-profits, things like that?

**OFFICIAL:** Yes.

**MR. MITCHELMORE:** Okay, thank you.

I am wondering then why, if there was such a high intake last year of \$15 million, why there would be a projection or an estimate that this number would be lower. Was there something that happened in 2013-2014 that would account for a large portion of this?

**MS SULLIVAN:** Are we still looking at Grants and Subsidies?

**MR. MITCHELMORE:** Comprehensive Economic Development, Grants and Subsidies, yes.

**MS SULLIVAN:** You are looking at the decrease for the 2014-2015 Estimates now, right?

**MR. MITCHELMORE:** Yes, it is about \$6 million basically there.

**MS SULLIVAN:** Yes. So, \$3.3 million of that, or \$3.34 million of that reflects the decision for the removal of, I believe it is OceanTech Intelligence and ocean observation programs. The reason the money was there in those programs at the outset had to do with stimulating that particular sector. Again, now through the combining of all of the programs and so on, we feel there is adequate support and adequate opportunity to continue to support those particular industries as part of the overall retooling and the core mandate analysis that was done.

It also reflects the completion of the Atlantic Gateway SmartBay initiative of about \$1.25 million, and one-time funding of \$111,000 that was given to the EDGE call centres from this fund in 2013-2014 is added back into the fund now.

**MR. MITCHELMORE:** So the Atlantic Gateway program is complete now. There is no further federal funding or provincial funding to deal with the Atlantic Gateway?

**MS SULLIVAN:** That is right.

**MR. MITCHELMORE:** The EDGE program is also complete?

**MS SULLIVAN:** No.

**MR. MITCHELMORE:** The EDGE program is still available?

**MS SULLIVAN:** Sure.

**MR. MITCHELMORE:** Okay.

Go back to Mr. Murphy, I guess.

**CHAIR:** Thank you, Mr. Mitchelmore.

Over to you, Mr. Murphy.

**MR. MURPHY:** Thank you very much.

I wanted to ask a question about CETA before we move on. I know this department has been an integral block of CETA. There are still outstanding questions when it comes to the effect on consumers, for example, like prescription drug prices. So I am just wondering about the overall progression, how negotiations are going with CETA – we have not heard the details of it yet. We know that the draft, of course, has been signed. I am just wondering if we can get an update.

**MS SULLIVAN:** Sorry, I had to pick this up to see if I could hear – were you talking in terms of pharmaceuticals, I thought I heard something with NLPDP there?

**MR. MURPHY:** Well, not only pharmaceutical, I was talking about CETA and I was just wondering if we can get an update on how negotiations are going. I know the rough draft of CETA was signed.

**MR. O'REILLY:** Yes, as you know, the Agreement-in-Principle was announced and there was a considerable amount of information released at that time about what was contained in it and what the deal was going to be, but there were still a fair number of the detailed negotiations that were required to bring this to closure. Every month, it is going to be the end of the month. It has been of that nature.

We are being told now with a greater level of confidence that the end of this month will be it. Then the agreement will be ratified by the Government of Canada and the fine details of each of the elements, of course, then will be part of that agreement as released.

When that gets to that stage, however, it still requires ratification by the European Union, and it has to go through each of their member states, of which there is twenty-eight, and there is a lot of translation work required and so on. So the actual finalization of the agreement and implementation is more than a year away for sure at this point.

**MR. MURPHY:** Okay, so there is really nothing else to report for some of the details and everything. I know that consumers do have concerns over what is going to be happening with drug prices and everything. Can you tell me is there any particular reason why – well I guess for all intents and purposes, even though we signed, we really did not know what we were signing into because some of the details were not finalized. What was the hang up?

**MS SULLIVAN:** I can address the piece around the pharmaceuticals from my former department, and I can tell you that in terms of NLPDP and any costs we might have to assume because of any changes there, that we have a commitment from the Government of Canada that all of that would be compensated for. We are still looking eight years down the road before we would anticipate any cost increases there at all, but there was a very clear letter of affirmation from the Government of Canada that told us if there were any costs to be incurred, that the Government of Canada would look after that and compensate the provinces.

**MR. MURPHY:** Okay, very good.

We anticipate hearing something by the end of the month anyway as regards what the final details are going to be. Are those details then going to be exposed for everybody's benefit? Are you going to be able to look at it?

**MR. O'RIELLY:** That is our understanding. I do not know exactly when it is going to be concluded, but the intent is to make it available. Then we will have a draft agreement, a detailed agreement as opposed to just an Agreement-in-Principle. All of the legal text, of course, will be contained therein and the detail associated with.

We certainly have been closely monitoring it, participating in the process, and have every expectation that the agreement will be as it has

been announced in the Agreement-in-Principle. We do not anticipate surprises at this stage.

**MR. MURPHY:** Hopefully, there will not be any surprises at this stage.

I guess just an update as well on the Ambassador Program. Can we get a list of the ambassadors, for example who are participating in this program, the business that might have been profiled and affiliated with the program as well? If you have a list, that would be great. Just give us an update of the program.

**MS MALONE:** Yes, we can.

**MR. MURPHY:** How is the program doing? Can you give us the update?

**MS MALONE:** The ambassador is part of a five-to-six promotional piece. We have had very strong ambassadors who continue to bridge opportunities. We are always on the lookout to see how we can bridge more connectivity to national and international markets.

Daryl, I do not know if you would like to add to that.

**MR. GENGE:** As you know, the Ambassador Program started quite a number of years ago to promote awareness of opportunities in Newfoundland and Labrador and to utilize primarily expat Newfoundlanders and Labradorians to undertake that effort.

The Province now enjoys a very positive reputation nationally and as well somewhat internationally in certain circles. We are looking at the Ambassador Program and the outcomes of that program and how we can enhance that to undertake more strategic business development for the Province and how we can utilize ambassadors in a much more proactive way. We are not enhancing or aggressively pursuing the Ambassador Program in its current form right now.

**MR. MURPHY:** Okay. Things are steady as she goes now that you have the ship moving.

**MR. GENGE:** That is right.

**MR. MURPHY:** There you go. Thank you very much for that.

I only have questions with regard to one more line item. I guess I can get that out of the way first. I had general questions, though, if we want to carry on and answer a few more questions on policy too.

I am just wondering about the update on the EDGE program, if we could get an update there and how many companies are enjoying the EDGE status, any new ones in the last year, that sort of thing.

**MS MALONE:** We have twenty-eight currently enjoying benefits of the EDGE program. We have four new applicants that we are currently looking at most positively. Last year, I believe, we had two. We are looking at EDGE, as we speak, to ensure it is competitive and marries up well with our suite of business investment programs.

**MR. MURPHY:** Okay. There are twenty-eight right now. That is good.

The Atlantic Gateway and Arctic opportunities – I have to say that the Arctic Opportunities Initiative I am quite fond of. I thought it was a great idea when government came out with it and I wish you all the luck with it. I am just wondering if the minister can give me an update on that.

It seems to more successful in other Atlantic Provinces. I do not know if that is just me that is observing that. I wonder if you could give me an update on how the program is doing here and, at the same time, recognizing that there are some challenges there, I wonder if you can tell us if you have been meeting with any particular challenges that we have to overcome in order to make it more successful than what it is.

**MS SULLIVAN:** The strategy itself is a work in progress. I do not know that we would ever say at any point in time that that strategy is done because I think it is something that is exceptionally important to Newfoundland and Labrador. It is an area where I believe we are seeing success. One of the biggest pieces of evidence of that success, I would suggest, is the

Northern Lights, a conference, a meeting, or whatever that we have seen.

We are confident that we are doing a good job of positioning ourselves in Newfoundland and Labrador around that particular initiative around ensuring that there is good awareness and there is good understanding of who we are in this field. We know that we have a lot of capabilities; we know that we have a lot of strengths. The partnerships that have been developed already, I think, are making big differences in terms of our recognition nationally and internationally.

I will ask again Alastair and others, who have been here a while, to give a little bit more detail around this, but this is certainly one of the areas where I think there is great promise for Newfoundland and Labrador. I think we are well on the way to seeing the successes of some of the groundwork that has already been done.

I apologize for this voice.

**MR. MURPHY:** You are forgiven.

**MR. O'RIELLY:** It is an exciting time, actually, for all of us in terms of interest in the arctic. It has kind of really taken off in the last few years, and I think there are two main drivers for that. One is the oil and gas sector and the expectation of significant hydrocarbon resources in the arctic and how these can be developed. The other is, of course, some of the movement of commercial goods through the arctic and the Northwest Passage, and the expectation that with the environmental shift that is occurring, there is going to be an opening up of the arctic and much more traffic.

Both of those are real main drivers, and the world seems to have taken on a tremendous interest in the arctic. If you do a Google search right now you can find all kinds of conferences and all kinds of studies and significant activities throughout the world. Right now it is a really good time for us. Canada is chairing the Arctic Council. There is an opportunity for us there to better promote what our capacity has been.

The minister referenced the Northern Lights Conference in Ottawa, which was held back in January. It was a great event for us. We were



able to roll out and present the broad range of services that the Province has to offer, which is sort of unique to Newfoundland and Labrador, some of the strengths we have in the academic community, the research community. We have organizations like C-CORE at MUN. They have been at this for like thirty-plus years and have a world-class reputation. There is a lot of other capacity at the university and the Marine Institute which we are able to showcase.

RDC is also doing some really exciting work in the arctic. Especially in the oil and gas sector, which is where the real opportunity is in the short term, is trying to do the R&D that is required for arctic development.

Also, the other thing we did. There was another major presentation and showcase at ETC in Houston, and at the Arctic Technology Conference which is going to be held here, as you know from the Premier's announcement a day or so ago. That is another showcase opportunity for us. We will have like 1,200-1,300 researchers from around the world, and engineers – mostly engineers, actually – but people with expertise and competence in the arctic. So by bringing those events here, that really gives us a forum and a vehicle to showcase what we have and also to find opportunities for partnerships.

We actually think we are doing pretty well in terms of our comparisons with our brethren in Atlantic Canada and elsewhere across the country.

**MR. MURPHY:** Okay, very good. Thank you for that.

Mr. Chair, I see that my time is up here, so I will digress to Mr. Mitchelmore.

**CHAIR:** Thank you, Mr. Murphy.

I think at this time we will take a quick ten-minute break in order to give our hardworking staff in the Broadcast Centre a bit of time off and give everyone the opportunity to stretch their legs. So we will reconceive at approximately 7:15 p.m.

Thank you

### Recess

**CHAIR:** Thank you, everybody. We are ready to pick up where we left off.

At this point, we will go back to Mr. Mitchelmore.

**MR. MITCHELMORE:** Thank you, Mr. Chair.

There is certainly a lot of information coming from the Department of IBRD as we move through the Estimates here.

Under 6.1.01, Ocean Technology Initiatives, I guess noticing that the OCEANS' 14 conference is being held, would the cost associated fall under this section? What is the cost allocated for the conference?

**MR. PLOUGHMAN:** The conference itself is being co-ordinated by a local organizing committee. It is not a conference that is of the Province of Newfoundland and Labrador. It is an MTS, Marine Technology Society, IEEE Conference. The Province is making contributions to it. We are helping support the position of a project manager and our staff are intimately involved in it. In fact, our staff were quite instrumental in helping get that conference here.

**MR. MITCHELMORE:** Okay. I would imagine there are lots of partnerships between the department with many entities to make things happen throughout the Province that gets the resources moving.

**MS SULLIVAN:** It is one that is really exciting for us. To be able to have a conference of this magnitude here in Newfoundland and Labrador, attracting over 1,200 delegates – at least we anticipate 1,200 at this point – it is really quite something. So in terms of putting us in the spotlight and shining a bright light on our capabilities here in Newfoundland and Labrador, this is pretty exciting. We are certainly very pleased.

I need to say to the people in the department and to anyone who is listening, that the work that was done here in the department and by the

former minister in attracting this conference here speaks well for us in this sector.

**MR. MITCHELMORE:** Absolutely, especially with that number of delegates. When you talk about the deals that are struck, when we send people away, to be able to showcase our assets and to be able to grow the ocean tech sector to where we want it to go, plus the immediate economic benefits of having all that travel, all that expertise, it is going to be great for the business community, great for the region, great for Newfoundland and Labrador. So that is certainly a very positive highlight, Minister.

**MS SULLIVAN:** Sounds like we are going to see you there, Mr. Mitchelmore.

**MR. MITCHELMORE:** I hope to be there.

Is there a cost associated with the Arctic opportunities conference that the Premier announced today that is planned? Do you have a budget line for hosting that as part of the Arctic opportunities strategy?

**MS SULLIVAN:** No, we do not.

**MR. O'REILLY:** Like in the case of the OCEANS' 14, we obviously have a key role in participating and facilitating and contributing staff time, and we may end up having to make some contribution of organizing resources and so on, but it would be relatively modest. So it is pretty much self-sustaining as an undertaking.

**MR. MITCHELMORE:** Okay, thank you.

The Agrifoods Sector Development, the department had initiatives under that. Is that something that still exists? Is there a financial item attached, or is it just a supporting mechanism?

I am asking the question because I printed off the programs and services for the department and it is listed as one of the programs and services (inaudible).

**MS SULLIVAN:** One of the programs and services under Mark's division, yes, but there is no line item there in terms of a program –

**MR. MITCHELMORE:** Is there a staff person associated that would be an expert in the field?

**MS SULLIVAN:** Yes.

Do you want to speak to the staff that we – yes, we do have staff there.

**MR. PLOUGHMAN:** Within the Strategic Industries and also within the Innovation divisions we have people who are assigned to be sector specialists, and these individuals work closely with the stakeholders in that sector, both industry associations, other stakeholders, like clients. In the case of Agrifoods in particular, we would work closely with NR. The funding programs that we have are for all of the sectors. There is nothing that is specific to Agrifoods.

**MR. MITCHELMORE:** Has the Air Access Strategy been completed at this point? I do not see a particular line item, budgetary line. It was announced some time ago.

**MS SULLIVAN:** Yes, we work very well with all of the authorities, the airline authorities and the airport authorities, and we are seeing increases in terms of seat capacity here in Newfoundland and Labrador – airport authorities is the word I was trying to come up with. So we have very good relationships with all of them, and we will continue to foster that particular relationship.

As I said, seat capacities in the Province have increased significantly, and we are still in conversations with many of the carriers and so on.

**MR. MITCHELMORE:** I certainly thank your department for providing some additional information on that as well.

Under the BizPal program that is offered and it goes into municipalities, is that something that is supported within the department or is it licensed or sublicensed? What is the cost associated with that and maybe the uptake of the program? Because it is something that very useful – I know maybe it falls under Service NL, is that we you are –

**MS SULLIVAN:** Yes, that is what we are saying over here. BizPal is a Service NL offering.

**MR. MITCHELMORE:** Okay. Do you collect stats on that?

**MS SULLIVAN:** I do not know if they do or not. I do not imagine that we would.

**MR. MITCHELMORE:** Okay, so it is not an integrated type of sharing of information with that one?

**MS SULLIVAN:** No.

**MR. MITCHELMORE:** Okay.

The department had a craft, gift and apparel sector development program where there were specific funds attached, or they were able to avail of funds, the craft, gift and apparel market. Is it now just a sector specialist and they can apply under the general program?

**MS SULLIVAN:** Yes. My understanding from a brief briefing that I had because I have not had time to have briefing yet, having been here three days, I think, now.

**MR. MITCHELMORE:** You are doing a fine job, Minister.

**MS SULLIVAN:** Thank you.

My understanding is that there is general funding for all of those divisions underneath that particular sector.

I do recall in the short time that I was here before, which was seven or eight months, that that particular entity around crafts and so on was a very vibrant group of people. I recall attending a couple of events that they had sponsored. We could certainly see that they were enthusiastic about the support that they were receiving from the department and in terms of, I think, being able to bring awareness to what Newfoundland and Labrador has to offer because we know we have a wealth to offer in that particular area. There was lots of outreach done, and I saw evidence of that particularly in the Atlantic Provinces, and I believe that year we were the host of that particular event as well.

**MR. MITCHELMORE:** Okay, great.

In 2012 there was a new MOU signed for co-operative development with your department and the Federation of Co-operatives for five years. I do not see any line item here particularly around co-op development. Do you provide any type of financial assistance to that federation? Can you just elaborate?

**MS MALONE:** Certainly. We provide investment funds for co-op development opportunities. We have a really robust specialized co-op development network of EDOs throughout Newfoundland and Labrador who have more than extraordinary knowledge about it, so they advance the cause of co-op. We provide core funding to the Federation of Co-ops, as well as specialized training and mentorship.

**MR. MITCHELMORE:** Okay, that is great.

You talk about the ICT sector development, is that only specific to RBI, or does that go into looking at providing funding for whether it would be telecommunications centres, whether it would be for cellular or other ICT strategies?

**MS SULLIVAN:** Well, I would prefer at this point that I not talk, so why don't you get the detail around what happens in terms of ICT.

**MR. PLOUGHMAN:** The ICT sector is a fairly important sector to the Province and therefore important to IBRD. A lot of the focus for ICT has been around start-ups and the work that we do with NATI, so we work very closely with NATI on some of the programs that they do. Certainly, IT companies and ICT companies have access to our programming, as do companies in other sectors as well. So, on the ICT front we are working very closely with NATI, which is the lead industry association for the ICT sector.

**MR. MITCHELMORE:** Right.

**MR. PLOUGHMAN:** Our resources in RBI are also considered ICT resources, but it is a separate programming focus.

**MR. MITCHELMORE:** Great.

I notice my time has expired there, if Mr. Murphy may have some questions, Mr. Chair, I can come back to finish.

**CHAIR:** Thank you, Mr. Mitchelmore.

Back over to Mr. Murphy.

**MR. MURPHY:** Thank you, Mr. Chair.

I just want to come back to some line items. I have one or two here and I will be done with those. Then I have some general policy questions, I guess.

Under 6.1.01, under Ocean Technology Initiatives, Professional Services budgeted this year for \$190,000. The revised figure for 2013-2014 was \$57,000 against \$190,000 that was budgeted. Something is delayed or something, I guess. I will let you explain it.

**MS SULLIVAN:** You are right; that was the delay in the marketing strategy for Ocean Tech and it is delayed to 2014-2015.

**MR. MURPHY:** Okay.

Just on the salary line as well, if we can get a breakdown of what is happening here. The revised figure is \$406,900, budgeted \$472,900.

**MS SULLIVAN:** The revised would reflect a decrease through delayed recruitment for two positions: an advisor for Ocean Tech and a Clerk IV position.

**MR. MURPHY:** So two jobs there.

**MS SULLIVAN:** There were two. The slight increase of a few thousand dollars in Salaries basically would be the requirements that we would need for current staffing, anticipated staffing.

**MR. MURPHY:** Plus the 2 per cent, I would think, too.

**MS SULLIVAN:** Yes, it is the 2 per cent.

**MR. MURPHY:** That is great. I am finished with the line items here I think. I do not think we missed anything here. I will just ask you some questions from budgets past, as well, when

we asked questions. I am just looking to get updates from some of the questions.

Burton's Cove Logging & Lumber: \$475,000 went to Burton's Cove from the Small and Medium-sized Enterprise Fund. I am just trying to find that line item here in this one, in this budget, and I cannot seem to find it. Can we get an update on which line item that would be covered under?

**MS MALONE:** This is one of our investments from our Business Investment Corporation which is the corporation that maintains a separate set of financials. So that would be one of many investments that came out of that \$17 million to \$20 million revolving fund under the Business Investment Corporation. It is reflected in a separate annual report and separate audited financial statements each year.

**MR. MURPHY:** Okay. How are they doing? Can we get an update on that?

**MS MALONE:** They are doing very well. Interestingly enough, our colleagues in Research and Development noted that with the laser piece came an opportunity to do more production, vary production, quality production, and that \$475,000 married up nicely to provide working capital.

I know the file very well. They are operating an almost full-year operation, which is tremendously wonderful for the industry.

**MR. MURPHY:** How many people are employed there?

**MS MALONE:** Forty-four.

**MR. MURPHY:** Forty four?

**MS MALONE:** Yes, and they also have a nice link with Marwood in the supply exchange.

**MR. MURPHY:** Okay, so Marwood is in on that one too. They had \$1.65 million, I think it was.

**MS MALONE:** Yes.

**MR. MURPHY:** Okay.

Whenever somebody comes to this fund to borrow from, what sort of interest rate are we talking about? Do we charge them interest?

**MS MALONE:** Yes, 3 per cent simple interest.

**MR. MURPHY:** About 3 per cent simple interest.

**MS MALONE:** Simple interest, not compound.

**MR. MURPHY:** Yes.

**MS MALONE:** Unlike the BDCs and banks.

**MR. MURPHY:** We all know about interest. We will not go there.

**MS MALONE:** Yes, indeed.

**MR. MURPHY:** How about GFI Composites – \$84,000 in a repayable loan to support the establishment of a production facility to manufacture bath tub and shower units in the Province.

**MS MALONE:** I will have to get back to you on that. There are only about 1,500 accounts. Sorry, I know it but it does not come to mind as well as Burton's.

**MR. MURPHY:** Versus the \$700 a month that we were talking earlier, \$84,000 is so small.

**MS MALONE:** Yes, sorry.

**MR. MURPHY:** Understandable. You can get back to me, just drop me an e-mail.

**MS MALONE:** Yes, no problem.

**MR. MURPHY:** How about Goodfellow – \$250,000 to Goodfellow to establish the pressure treatment facility.

**MS MALONE:** They are up and running in Deer Lake. I would say they have about twelve or thirteen employees. I know that company very well because I am mostly based in the headquarters on the West Coast.

**MR. MURPHY:** Okay, so they are doing well as well?

**MS MALONE:** Yes, and they are again a part of the supply chain, sawlog exchange, as well as buying from the sawmillers.

**MR. MURPHY:** Okay.

How about Icewater? Icewater, I think, were subject to a \$2 million loan. How are they doing?

**MS MALONE:** Yes. Icewater is now restructuring. Icewater, unfortunately, lost a vessel and we are working on the business proceeds now as we speak.

**MR. MURPHY:** Okay, so are we going to have any problem – just in case, we are not going to lose an investment here, are we?

**MS MALONE:** No, we are not.

**MR. MURPHY:** Okay. Have they begun payments on that \$2 million already?

**MS MALONE:** Icewater lost the vessel in February and they are in progress of dealing with what happens with insurance and the like, and we are fully secured.

**MR. MURPHY:** Okay, so there is not going to be an issue as regards us getting our money back, though, if anything happens.

**MS MALONE:** We are fully secured.

**MR. MURPHY:** Okay, great.

There is nothing else I can think of, I guess, in our context. We would like to thank you for your time; keep up the good work. You know that Newfoundland and Labrador is important for everybody and the investments that government has been making, every single one of them are important, supposing it is fifty cents or supposing it is \$50 million one of these days.

Just keep up the great work, and we will be in touch.

**MS SULLIVAN:** Thank you.

**CHAIR:** Thank you, Mr. Murphy.

We will go back to Mr. Mitchelmore for any final questions.

**MR. MITCHELMORE:** Thank you.

I wanted to ask a little bit more about the lending. You said there are about 1,500 accounts. Is it reported, or is there anywhere there is access to look at the number of business write-offs and bad debts and things like that has happened? Is this public knowledge of the department?

**MS MALONE:** The allowance for doubtful accounts and relative write-offs are a matter of report on the Business Investment Corporation financial statement. I will say since we reinstated the array of business financing term loans in the main, our portfolio is performing very well.

**MR. MITCHELMORE:** Okay.

With your current lending rate of 3 per cent, has that had an impact on past lending where some of the businesses may have gone back and asked for a retroactive rate of 3 per cent lending? Is that something that has been negotiated?

**MS MALONE:** No.

**MR. MITCHELMORE:** So you would not look at going back and renegotiating past lending at a 3 per cent rate?

**MS MALONE:** No, in the main, if there are issues with an account we would look at a balanced approach, but in the main, to talk about rewriting debentures and security base, it is not commonly done, even particularly when the interest rates are a lot higher than what we had offered before. So it is not a common practice, nor is it feasible to be writing down interest rates. I hasten to add, we have always been competitive, and we are even more so now.

**MR. MITCHELMORE:** Oh, absolutely, and I appreciate the response that you have given. It certainly is a very responsible way in dealing with lending.

The 3 per cent simple interest, does that place government in a position where it may offer a better rate than maybe any other financial

institution could offer a business, and would that put them in a competitive position with the free market, basically?

**MS MALONE:** We are in the business of providing investment under reasonable terms and conditions when cannot otherwise be granted. We are not the last resort; however, our 3 per cent simple interest does provide flexibility and cash flow for those companies and businesses, particularly in rural Newfoundland, that conventional sources cannot deal with. So we are competitive, but we do not look to write paper that can be reasonably done through conventional sources and/or other sources.

**MR. MITCHELMORE:** Okay, that is very understandable.

I wanted to ask you about the Immigrant Investor Fund that is growing in nature. Has there been any action taken to look at using that revolving amount of loans and funds from the federal government to utilize some of the capital that could be available to stimulate business growth whether it be through venture capital or some other type of business investment?

**MS SULLIVAN:** Just as a general comment on that, of course you would know that the Immigrant Investor Fund has been cancelled by the federal government. They themselves have, I think, admitted disappointment in terms of the actual benefits of that particular program; therefore, in this year's budget, they made the decision to cancel that particular fund.

We certainly have had some ongoing discussions about whether or not some smaller investments could be made over the next period of time, but at this point in time it would be a matter of looking at which particular projects might actually fit the fund; keeping in mind, of course, that you only have that five-year window to repay.

Again, I think it is significant to note that the fund was cancelled and there really has not been a lot of noise from anywhere in the country about the fund being cancelled.

**MR. MITCHELMORE:** I am just wondering, with the cancellation of the fund and no new money coming into the fund, it makes it more

difficult to, I guess on some levels, maybe make a payment on those five years where you do not have the constant injection of revenue coming in. The Province still has ownership or is the holder of that \$200 million-plus and has to decide what it is doing, or will there be action taken to press upon the feds as to what is going to happen with the money?

**MS SULLIVAN:** Again, Rita will give you the detail.

**MS MALONE:** We are in a good position with respect to this fund. It is very tight in terms of the terms and conditions. You may recall, Mr. Mitchelmore, last year we talked about flowing venture capital through the fund. Other provinces have done that, but the problem is venture capital needs a long time, it needs risk averse, and it needs flexibility. The IIF does not provide that. It is 100 per cent guaranteed by the Province, there is a 5 per cent administration fee, it has to be paid back within the five years in which the money was disbursed to us, and it has to be for more private sector kind of ventures, which do not often deal with a five-year window.

Public sector economic infrastructure is not allowed. In the early goings, Ontario and BC went gangbusters. You are not able to do it in latter times when other provinces signed on. For me, we are in a better position than like a poor Province of Prince Edward Island who has long-term business loans, and they will have a cash call – and \$60 million or \$70 million in that province as an example, \$300 million and \$400 million in venture capital in Ontario, and probably \$100 million in BC. What I am saying is it did not work because it did not cause stimulus because of the very inflexible nature.

Again, we have run a lot of things up with the federal government over this last year, and while they would love to have us get into VCs, I am so happy we did not do that.

**MR. MITCHELMORE:** Right. Well, certainly maybe at another time we could go into some more detail on the Immigrant Investor Fund. Where it is not a particular line item, I would not want to continue to debate this matter in Estimates; but I still think there would be some opportunity to utilize that fund and depending on how you look

at using either the general revenues of the Province, or you are using a separate fund, wherever and however the money flows, it is going to certainly lead to how you look at making investment and how you look at growing the economy. That is a fund that has to be generating some form of revenue, or else it is going to cost the taxpayers down the road.

**MS MALONE:** Yes, we are operating with a surplus. When we have to give all the money back that is not invested, we will have a surplus, because we have invested in strip bonds, T-bills, and highly secured, highly risk-averse investments. Again, we are in a better place because the cash calls are happening now as we speak. Funds are coming in to the end of this year, but the cash calls are coming to all of the provinces in Canada based on what was advanced five years ago. So we have to be very careful about getting into any late stage investments because a cash call is going to be within three or four years.

**MR. MITCHELMORE:** Right. Okay.

Is there any further update that you could provide on the CETA deal itself? When it comes to – there was a lot of travel costs associated back in the Estimates line item. The deal in principle is noted. Are there future meetings and discussion and dialogues that the department is having and there are funds allocated in this year's budget to continue with the CETA agreement itself to move beyond principle?

**MR. O'RIELLY:** The travel expenditure is, in particular, related to CETA, as was noted earlier, have been quite significant because of the demands on the program.

One of the things we have to think about going downstream, and thinking about what I had mentioned to Mr. Murphy earlier. We are more than a year away yet from implementation. We are now thinking about what strategies we have to advance the implantation of CETA, in terms of support of the industry, promotion of the programs, marketing campaigns that kind of thing, but that is not in the coming fiscal year.

In the current fiscal year we are okay for funds, we believe, in terms of travel. I am sure it is

going to be very demanding again. Even though CETA is close to the end, there is a trans-specific partnership which is active, there is the Canada-Japan initiative which is also active, and there are some other trade discussions as well.

I am sure we are going to have a strong demand for our travel budget this year, but the big opportunity from CETA and how we should position ourselves for that is something we really need to be thinking about for the next fiscal year.

**MR. MITCHELMORE:** Given that your department is responsible for the CETA negotiations as the provincial department, the lead on this, and there is a \$400 million fund – \$120 million provincially, \$280 million federally – for fisheries advancement based on the CETA negotiations itself, will your department then be responsible for administering that \$400 million fund or is that something that is not determined at this time?

**MR. O'RIELLY:** It will be administered by the Department of Fisheries and Aquaculture, but certainly we will have an opportunity to provide input and advice, as will other departments that have some expertise or competencies that can contribute to ensuring that we make best use of those resources.

**MR. MITCHELMORE:** Okay.

There is a lot of expertise within the Department of IBRD. You have a lot of great people on the ground in almost every nook and cranny of our rural communities on the Island and in Labrador. From the answers that you have provided this evening to questions, there is a lot of work that has been done.

Certainly, I will have a lot more questions as I do, as the critic for the department, but I am just doing my job in that role. I appreciate all the work that is being done by the Department of IBRD. So thank you for all your time here this evening.

I do not have any further questions based on the Estimates there, Mr. Chair.

**CHAIR:** Thank you, Mr. Mitchelmore.

Do you have any final remarks for the minister, Mr. Murphy?

**MR. MURPHY:** Enjoy the rest of the evening. Go home.

**CHAIR:** Thank you very much, Mr. Murphy.

With that, seeing the review is finished, I will call 1.1.01.

**CLERK:** Subhead 1.1.01.

**CHAIR:** Shall 1.1.01 carry?

All those in favour, 'aye'.

**SOME HON. MEMBERS:** Aye.

**CHAIR:** All those against, 'nay'.

Carried.

On motion, subhead 1.1.01 carried.

**CLERK:** Subhead 1.2.01 to 6.1.01 inclusive.

**CHAIR:** Shall 1.2.01 to 6.1.01 inclusive carry?

All those in favour, 'aye'.

**SOME HON. MEMBERS:** Aye.

**CHAIR:** All those against, 'nay'.

Carried.

On motion, subheads 1.2.01 through 6.1.01 carried.

**CLERK:** The total.

**CHAIR:** Shall the total carry?

All those in favour, 'aye'.

**SOME HON. MEMBERS:** Aye.

**CHAIR:** All those against, 'nay'.

Carried.

On motion, Department of Innovation, Business and Rural Development, total heads, carried.



**CHAIR:** Shall I report the Estimates of Innovation, Business and Rural Development carried?

All those in favour, 'aye'.

**SOME HON. MEMBERS:** Aye.

**CHAIR:** All those against, 'nay'.

Carried.

On motion, Estimates of the Department of Innovation, Business and Rural Development carried without amendment.

**CHAIR:** With that, I am looking for a mover to adopt the previous meeting's minutes, dated April 16, 2014 of the Resource Committee.

Do I have a mover?

**MR. MITCHELMORE:** So moved.

**CHAIR:** Moved by Mr. Mitchelmore.

On motion, minutes adopted as circulated.

**CHAIR:** The time and date of the next meeting is at the call of the Chair.

With that, I would like to thank all the staff, the people in the Broadcast Centre, the Clerk, the page, the minister, and all her fine staff as well, as well as members of the Committee. Thank you for tonight.

May I have a motion to adjourn?

**MR. DINN:** So moved.

**CHAIR:** Moved by Mr. Dinn.

Thank you very much for your participation, enjoy your evening.

On motion, the Committee adjourned *sine die*.