

**Sydney Tar Ponds Agency
Annual Accountability Report 2006-2007**

November 15, 2007

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1. Accountability Statement

The accountability report of the Sydney Tar Ponds Agency for the year ended March 31, 2007 is prepared pursuant to the *Provincial Finance Act* and government policies and guidelines. These authorities require the reporting of outcomes against the Agency's business plan information for the fiscal year 2006-2007. The reporting of Sydney Tar Ponds Agency outcomes necessarily includes estimates, judgments and opinions by the Agency's management.

We acknowledge that this accountability report is the responsibility of the Agency's management. The report is, to the extent possible, a complete and accurate representation of outcomes relative to the goals and priorities set out in the Agency's business plan for the year.

Minister _____

President _____

2. Message from the Minister and President

The Agency was very busy with cleanup activities throughout 2006-2007. Release of the Joint Environmental Review Panel report in July 2006 signaled the commencement of the project in earnest. Fundamentally the panel accepted the clean up plan earlier submitted by the Agency while providing helpful recommendations that served to enhance the integrity and effect of the overall project.

Early in the fall of 2006, an engineering consultant was chosen to provide design and construction oversight services to the project. Following this decision, the design engineer mobilized resources to begin work. Toward the end of the report period, design activities were advancing on several key elements of the clean up and schedules were beginning to take shape.

The Agency's operating context is both dynamic and changing. To continue effective progress, it will be necessary to adapt. In this spirit, a broad organizational review was conducted. A series of useful recommendations resulted and subsequently were implemented. Among other things, changes to the Agency's organizational structure have made it more responsive, effective and communicative.

The remediated Tar Ponds and Coke Ovens sites can potentially make a significant and positive difference to Sydney and the surrounding area. Research shows that the strategic use of former industrial sites, particularly within urban areas as is the case with this project, can enhance the economy, bolster community pride, contribute to social well being and strengthen image. In part, this explains the importance attached to future site use by the Agency and is justification for the continued allocation of resources to community engagement.

Hon. Murray Scott, MB
Minister of Transportation and Infrastructure Renewal

Frank Potter, P. Eng
President

3. Introduction

Purpose

The 2006-2007 Accountability Report for the Sydney Tar Ponds Agency is a report on the progress achieved by the Agency toward the goals, priorities, and financial targets established in our 2006-2007 Business Plan. Both documents should be read together to get a clear understanding of what the Agency set out to do in 2006-2007 and how we did against those objectives.

The accountability reporting process is consistent with the Government of Nova Scotia's commitment to the principles of open and accountable government. Business plans and accountability reports are key to enabling departments, agencies, and government as a whole to assess performance on an annual basis.

The Structure of this Report

The report that follows will outline the Agency's progress and accomplishments against the priorities identified in our 2006-2007 Business Plan and a summary of financial results for 2006-2007.

4. 2006-2007 Priorities and Accomplishments

Core Business Area #1

Under the direction of the Project Management Committee and within the framework of the Sydney Tar Ponds and Cokes Ovens Clean Up Memorandum of Agreement, deploy resources, plan and execute preventive works; manage project engineering and design; and contract and oversee construction services as well as facilitate the optimization of local economic benefits from the project with a view to effecting safe, efficient and compliant site remediation.

Priority #1

Engage project design consultants and begin detailed design of the cleanup project.

Accomplishments

Following a competitive bid process, Earth Tech Canada Inc., a leading environmental engineering firm specializing in environmental assessment and remediation management, in partnership with CBCL, a Nova Scotia based engineering services firm, was the successful design consultant. The contract was signed with the firm toward the end of the calendar year. Engineering design work was progressing on several key elements of the cleanup by the end of the report period.

Priority #2

Complete preventative work projects, namely the Battery Point barrier, remediation of cooling pond and realignment of Coke Oven Brook.

Accomplishments

The Battery Point Barrier was substantially completed in the year, with a few technical issues still to be resolved. The Barrier extends from Battery Point in the north end to the shoreline near the Harbourside Commercial Park. It is designed to prevent contaminants from flowing into Sydney Harbour during cleanup of the Tar Ponds.

The purpose of the Coke Ovens Brook Realignment project was to divert water flows originating off site into three new channels (North, South and West channels) that avoid the most contaminated zones of the Coke Ovens. Where the new channels cannot avoid contaminated areas, they will be lined with low permeability material to restrict contaminants from entering the channels. The project was substantially completed by the end of 2006-2007, with a small amount of tie-up work to be completed in the first quarter of 2007-2008.

Within the scope of a protocol agreement between Canada, Nova Scotia, and Cape Breton Mi'kmaq First Nations communities, the Agency evaluated four bids for an Aboriginal set aside project: the solidification and stabilization of the Cooling Pond. Prior to awarding a contract, the

tender was withdrawn to allow for the consideration of the Joint Environmental Review Panel recommendations relating to the principle remediation method. The intent is to retender the project as soon as is practical in 2007-2008.

Priority #3

Secure regulatory approvals for the cleanup within the environmental assessment process.

Accomplishments

The Agency secured the permit for the Cooling Pond toward the end of the fiscal year, which enables work to begin on the pond in the upcoming construction period. The Agency continues to work on addressing requirements for the letting of the overall Project permit. Nova Scotia Environment and Labour is the sole regulatory body from which the Sydney Tar Ponds Agency must seek regulatory approval. Both parties, in conjunction with the design engineer and the oversight committees, are working in a collaborative effort to ensure that all legal and environmental conditions are satisfied and that the work proceeds in a timely fashion.

Priority #4

Collaborate and interact with the Project Management, Operations and Technical Advisory Committees and the Independent Engineer.

Accomplishments

The Agency is charged with implementing and managing the cleanup within the framework of the Memorandum of Agreement and the Cost Share Agreements between the governments of Canada and Nova Scotia, while serving the interests of the Government of Nova Scotia. Consequently, not only must it assemble the technical, engineering, financial, environmental, and communications expertise to accomplish the task, but it must also conform to provincial law, regulations, and policies that govern publicly- owned agencies and corporations.

Moreover, because the cleanup is a partnership between the two governments, an operating structure has been established that enables joint participation and oversight.¹

The Agency reports directly to the Nova Scotia Minister of Transportation and Public Works. Ultimately, the Ministers of Public Works and Government Services Canada and of Nova Scotia Department of Transportation and Public Works are accountable to their respective legislatures for the cleanup.

¹ See Appendix 1 for an organizational reporting relationship chart.

The Project Management Committee (PMC) comprises senior officials from both departments (PMC), and it is responsible to ensure that the cleanup project is implemented in accordance with the Memorandum of Agreement (MOA) and the cost share agreements. The PMC is augmented by a Secretariat jointly staffed by federal and provincial personnel.

The Independent Engineer (IE) is entrusted with monitoring the overall financial and technical aspects of the various projects that make up the cleanup plan. The IE operates independently of the Agency and reports to the government partners through the PMC.

To ensure that the Joint Environmental Assessment Review Panel's recommendations are appropriately instituted, the Environmental Management Committee (EMC) was created. The EMC replaced the technical advisory committee and includes representatives from the government partners, the Sydney Tar Ponds Agency and regulatory agencies.

The Operations Advisory Committee is made up of representatives of both governments, the IE, and the Agency, and it fosters the effective and efficient sharing of project information.

Finally, because community relations are a vital component of the cleanup, the Agency has established a Community Liaison Committee (CLC). CLC members are chosen from community groups such as labour, business, health, education, religion, visible minorities, and non-profit. It serves as both a sounding board for the Agency's proposals and as a signal mechanism for community concerns and suggestions.

Priority #5

Optimize local economic benefits as per the Statement of Intentions adopted by the project Management Committee.

Accomplishments

Sydney Tar Ponds Agency consulted with key stakeholders, including business and labour, on the scope and composition of an effective economic benefits policy. The end result of these efforts is an economic benefits policy tailored to the special circumstance of the cleanup and the Cape Breton economic context of the Cape Breton-Mulgrave area. The policy incorporates Aboriginal set-aside projects and a point system in the tendering process that includes an allocation of maximum fifteen points if the company is Cape Breton-Mulgrave owned, if labour and materials are derived from Cape Breton-Mulgrave, and if community (Cape Breton-Mulgrave) support is initiated (such as summer employment for students, volunteer hours by company personnel, and cash donations/contributions).

During the fiscal year, a meeting was held with representatives of economic and business development agencies across Cape Breton-Mulgrave to consider means of improved

collaboration in implementation of the local economic benefits policy. An equity employment taskforce was established comprising representatives of several key local organizations for the purpose of promoting affirmative action in the execution of the project.

Priority #6

Develop and implement on-going accountability and reporting policies and procedures as well as advance recommendations of strategic importance to government decision-making.

Accomplishments

Sydney Tar Ponds Agency enjoys special operating agency status that carries with it certain flexibility in how it conducts its affairs. Nevertheless the Agency is expected to meet agreed upon accountabilities. In accordance with an approved Results Based Management Accountability Framework, Consulting and Audit Canada conducted a broad general project review. A subsequent report rated the project highly on key aspects. Among other things, it lauded the working relationship between the government partners, financial controls, the use of advisory and oversight mechanisms, and reporting.

Core Business Area #2

Communicate internally with government partners as well as among affected provincial government departments and agencies and the Community Liaison Committee in addition to externally with community stakeholders and other key publics in a deliberate, regular, transparent and frequent fashion on the development, execution and evaluation of remediation activities.

Priority #1

Formalize internal and external plans complete with strategic objectives, specific products and initiatives, target audiences, desired outcome and outcome measures that reflect appropriate regular, transparent and effective internal and external communications.

Accomplishments

The Agency continued to execute the communications plan developed jointly in the 2005-2006 fiscal year. Considerable time and effort was expended in solidifying human resource policies and objectives resulting in all Agency personnel becoming better informed of ongoing activities. These activities included team building exercises, employee wellness program, employee recognition program, weekly division meetings, monthly staff meetings and the implementation of an employee suggestion box.

External communications activities continued in an effort to inform target audiences. The activities included regular production of the cleanup newsletter, supplying press releases,

responding to media inquiries, submitting articles to environmental publications and encouraging interviews with Agency spokespeople.

Priority #2

Manage relations with the Community Liaison Committee in cooperation with federal government and community stakeholders.

Accomplishments

The work and contributions of the Community Liaison Committee is valued by Sydney Tar Ponds Agency. The CLC provides valuable input from varied community and industry sectors and wide-ranging perspectives into the actions and decisions of the Agency. Over the course of the year, meetings were held on a monthly basis with the CLC, with participants from the Agency, the Independent Engineer, the Province of Nova Scotia and the Government of Canada

Priority #3

Interact with, monitor and respond to media.

Accomplishments

The Agency continually monitored media coverage on a daily basis. Media representatives were contacted, news releases prepared and media inquiries responded to on an as needed basis.

Priority #4

Manage communications specific to the environmental assessment process.

Accomplishments

Because all stakeholders are concerned with the environmental assessment process, the Agency believes it is critical to ensure open, accurate, and complete information is provided to all interested parties and the public.

The Agency's quarterly Newsletter provides readers with summaries on commentary related to project environmental issues as well as Tar Ponds local interest stories. Newspaper articles, press releases, and personal interviews with the President were used to encourage candid conversations and remedy misconceptions about the Tar Ponds and Coke Ovens and the cleanup itself. As well, close to 300 guided and narrated tours of the contaminated sites and cleanup were conducted by the Agency as another approach to manage communications.

The Agency's website, which contains a number of articles, documents and reports, was maintained and updated to ensure users were presented with accurate, up-to-date information when they visited the site. Moreover, curriculum was developed for a local high school

environmental studies course and public opinion surveys were completed several times over the course of the year.

Core Business Area #3

Represent Nova Scotia's interests in the negotiation of pending detailed funding agreements appropriate to the longer term prosecution of the clean up as set out in the May 2004 Memorandum of Agreement.

Priority #1

Engage the federal government in negotiations appropriate to a producing a second generation funding agreement for the clean up.

Priority #2

Insure that provincial financial participation in the actual remediation of the clean up is based on equitable cost sharing with the federal government.

Accomplishments (for priorities #1 and #2)

Although the Agency was involved in initial discussions related to the Final Cost Share Agreement (FCSA), the province's Department of Transportation & Public Works led negotiations with the federal government for a second generation funding agreement with the federal government. The negotiations were ongoing at the end of 2006-2007. The Agency has instituted financial and technical controls to ensure all project scope and expenditure decisions are consistent with the Memorandum of Agreement. These controls are intended to protect the cost sharing arrangement between the governments, and ensure equitable cost sharing as agreed.

5. Financial Results

	2006-2007 Estimate	2006-2007 Actual	Variance	Notes
Costs				
Preliminary Works	\$4,704,261	\$3,144,054	\$1,560,207	1
Preventative Works	\$12,312,503	\$7,314,697	\$4,997,806	2
Other Costs	\$7,624,119	\$7,444,528	\$179,591	
TOTAL COSTS	\$24,640,883	\$17,903,279	\$6,737,604	
Funding				
Provincial	\$9,856,353	\$7,161,312	\$2,695,041	
Federal	\$14,784,530	\$10,741,967	\$4,042,563	
TOTAL FUNDING	\$24,640,883	\$17,903,279	\$6,737,604	

Notes:

1. The variance presented in preliminary works results for three reasons: agency capital expenditures were decreased when it was determined a project scheduling system forecast to cost approximately \$200,000 would not be required; the environmental assessment process moved forward more rapidly than expected, approximately \$800,000 of related expenditure occurred in fiscal year 2005-2006 instead of 2006-2007; and the total expenditure for the primary environmental assessment consultant was \$500,000 less than forecast at the time the 2006-2007 business plan was produced.

2) There are three reasons for the variance in preventative works expenditures. The delay of the cooling pond project to fiscal 2007-2008 produced a decrease of \$3.9 million in actual expenditures compared to the budgeted amount. The Battery Point Barrier was completed at \$2.7 million less than originally budgeted. Since less work than expected took place on the Coke Ovens Brook Realignment project in 2005-2006, \$1.6 million was spent on the project during 2006-2007 that was not anticipated during budgeting for that year.

6. Performance Measures

Outcomes and indicators for the Sydney Tar Ponds Agency were organized by Core Business Area in 2006-2007.

1.1 PROJECT DESIGN ENGINEERS IN PLACE

Through a competitive bid process, engage project design engineers and commence work on design of cleanup process.

WHAT DOES THE MEASURE TELL US?

This measure indicates the Agency's actual work achieved compared to the implementation schedule.

WHERE ARE WE NOW?

The scope and structure of the project have been finalized with 12 individual initiatives currently in various stages of design and engineering.

WHERE DO WE WANT TO GO/BE IN THE FUTURE?

Since funding for the cleanup was secured during 2006-2007, significant construction work is expected to begin in late 2007-2008.

1.2 COMPLETED PREVENTATIVE WORKS PROJECTS

Preventative projects undertaken in advance of the cleanup are necessary to prevent contaminants from flowing into Sydney Harbour during the cleanup. These projects must be completed before the cleanup can begin.

WHAT DOES THE MEASURE TELL US?

This measure indicates progress towards completion of the preventative projects.

WHERE ARE WE NOW?

Two of three preventative works projects are complete. The third, stabilization and solidification of the Cooling Pond, will be complete by end of calendar year 2007. All three are integral to the clean up as a whole.

WHERE DO WE WANT TO GO/BE IN THE FUTURE?

Completion of all three preventative works projects will ensure major construction work on the clean up can progress as planned.

1.3 REGULATORY APPROVAL WITHIN ENVIRONMENTAL ASSESSMENT PROCESS

The Agency worked diligently to secure regulatory approval from the Nova Scotia Department of Environment and Labour to proceed with the cleanup methodology as proposed in the Environmental Impact Statement.

WHAT DOES THE MEASURE TELL US?

This measure indicates progress towards receiving regulatory approval to proceed with the proposed cleanup solution.

WHERE ARE WE NOW?

Information is being compiled, science is being addressed, pilot testing is planned and underway and other data being assembled to meet required permit criteria.

WHERE DO WE WANT TO GO/BE IN THE FUTURE?

Fully compliant with regulatory permit criteria and in receipt of necessary approvals.

1.4 COLLABORATIVE & INTERACTIVE WORKING RELATIONSHIPS WITH COMMITTEES

Given the complex relationships the Agency must cultivate with stakeholders, Sydney Tar Ponds Agency is striving for collaborative, interactive, and functional working relationships with the Project Management Committee, Operations Committee, Technical Advisory Committee, and the Independent Engineer.

WHAT DOES THE MEASURE TELL US?

This measure indicates relative success with relationship building across stakeholder groups.

WHERE ARE WE NOW?

Committees meet regularly, updates and requisite information are provided to committees on an on-going basis, the overall dynamic is strong and the flow of information is two-way.

WHERE DO WE WANT TO GO/BE IN THE FUTURE?

Continue to manage complex relationships positively and effectively.

1.5 OPTIMIZED LOCAL ECONOMIC BENEFITS

Given the cleanup's anticipated impact on the local area, it is important to identify opportunities and create policies whereby local businesses and communities see direct economic benefits.

WHAT DOES THE MEASURE TELL US?

The measure indicates the progress towards formalizing policies and strategies to achieve optimized local economic benefits.

WHERE ARE WE NOW?

Policies are in place, processes have been field tested, vendors are being briefed regularly and the economic impact of contract work is at desired levels.

WHERE DO WE WANT TO GO/BE IN THE FUTURE?

Increased economic activity in Cape Breton-Mulgrave area in terms of new employment and household income resulting from the expenditure of public funds on the clean up. The target is 30-40% of the anticipated combined impact of clean up expenditures occurring annually in the Cape Breton-Mulgrave area.

1.6 ACCOUNTABILITY, REPORTING, & STRATEGIC RECOMMENDATION STRUCTURES IN PLACE

In keeping with commonly-accepted accountability practices, develop and implement accountability and reporting policies and procedures as well as advance recommendations of strategic importance to government.

WHAT DOES THE MEASURE TELL US?

This measure indicates the progress toward sound reporting practices.

WHERE ARE WE NOW?

Meeting accountability requirements by adhering to commonly-accepting accounting practices and government standards for business planning and reporting, as well as and refining systems to ensure continued compliance as planned. This includes adhering to all reporting requirements as documented in the Memorandum of Agreement, related cost share agreements, the Results-based Management and Accountability Framework (RMAF) and the Risk Based Audit Framework (RBAF).

WHERE DO WE WANT TO GO/BE IN THE FUTURE?

Fully compliant with accountability expectations.

2.1 FORMALIZED INTERNAL & EXTERNAL PLANS DRIVING EFFECTIVE COMMUNICATIONS

To ensure the cleanup's goals, objectives, and progress are communicated effectively and accurately, it is essential to have formal plans for internal and external communications plans developed and implemented.

WHAT DOES THE MEASURE TELL US?

This measure is an indicator of overall project awareness, functionality of key committees, media coverage, internal decision making, efficiency and completeness of reports, and determine appeal and effect of products and initiatives.

WHERE ARE WE NOW?

Meeting the information requirements of key stakeholders as planned.

WHERE DO WE WANT TO GO/BE IN THE FUTURE?

All stakeholders fully informed and knowledgeable of the clean up.

2.2 PRODUCTIVE RELATIONS WITH COMMUNITY LIAISON COMMITTEE

A successful cleanup will depend heavily on community support and it will be important to cultivate and manage productive relations with the Community Liaison Committee, the federal government, and other community stakeholders during the cleanup.

WHAT DOES THE MEASURE TELL US?

This measure is an indicator of the effectiveness and impact of Committee deliberations and decisions.

WHERE ARE WE NOW?

Meeting and communicating regularly as planned.

WHERE DO WE WANT TO GO/BE IN THE FUTURE?

Effectively communicating with the community through the systematic provision of information to and interaction with the CLC.

2.3 EFFECTIVE MEDIA RELATIONS, MONITORING, & RESPONSE

In addition to direct work with the community, the cleanup's "story" will be told through earned media. It is important to interact with media outlets and monitor ongoing and incidental coverage to ensure information about the cleanup is conveyed accurately and positively.

WHAT DOES THE MEASURE TELL US?

This measure is an indicator of effective issues and story management, the degree to which cleanup media coverage is fair and balanced, and the overall volume of media coverage.

WHERE ARE WE NOW?

Meeting the goal of productive relations with media as planned.

WHERE DO WE WANT TO GO/BE IN THE FUTURE?

Continued productive relations with media.

2.4 EFFECTIVE COMMUNICATIONS DURING ENVIRONMENTAL ASSESSMENT PROCESS

The critical importance of the environmental assessment process means specific efforts are required to ensure effective and accurate communication with stakeholders and the general public.

WHAT DOES THE MEASURE TELL US?

This measure is an indicator of the progress towards the successful adoption of the cleanup plan as presented.

WHERE ARE WE NOW?

Community and stakeholder acceptance of the cleanup plan.

WHERE DO WE WANT TO GO/BE IN THE FUTURE?

General acceptance of the plan going forward.

3.1 NEGOTIATIONS WITH FEDERAL GOVERNMENT ON SECOND GENERATION FUNDING

The May 2004 Memorandum of Agreement outlines a specific allocation of funding, longer-term funding must be negotiated to secure the future of the project per the Memorandum of Understanding.

WHAT DOES THE MEASURE TELL US?

This measure is an indicator of progress towards securing second generation funding.

WHERE ARE WE NOW?

Negotiations are in an advanced stage and progressing well.

WHERE DO WE WANT TO GO/BE IN THE FUTURE?

A second generation funding agreement in place

3.2 EQUITABLE COST-SHARING WITH FEDERAL GOVERNMENT

Through careful relationship management and reporting, ensure equitable cost-sharing of cleanup activities between the federal and provincial governments.

WHAT DOES THE MEASURE TELL US?

This measure is an indicator of funding equity between the two levels of government.

WHERE ARE WE NOW?

Funding equity among funding partners has been embraced as a principle and incorporated into contracts.

WHERE DO WE WANT TO GO/BE IN THE FUTURE?

Continued funding equity among funding partners as project moves forward, as has been done with negotiation of the Final Cost Share Agreement in winter/spring 2007.

Appendix 1
Project Organization

