

Sydney Tar Ponds Agency
Annual Accountability Report 2011-2012

July 13, 2012

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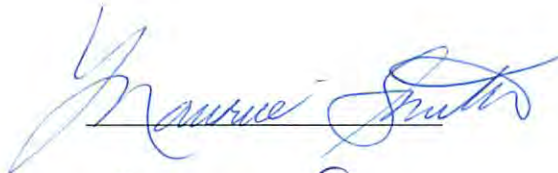
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1.0 Accountability Statement

The accountability report of the Sydney Tar Ponds Agency for the year ended March 31, 2012 is prepared pursuant to the *Finance Act* and government policies and guidelines. These authorities require the reporting of outcomes against the Agency's Statement of Mandate for the fiscal year 2011-2012. The reporting of the Sydney Tar Ponds Agency's 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 2011-2012 Statement of Mandate.

Minister

A handwritten signature in blue ink, appearing to read "Maurice Smith", written over a horizontal line.

President

A handwritten signature in blue ink, appearing to read "Kevin McEwen", written over a horizontal line.

2.0 Message from the Minister and President

The spirit of co-operation and efficiency that flourished in the 2010-2011 fiscal year continued to be self evident during the 2011-2012 fiscal year as demonstrated by the productive working relationships between the Agency staff, the government funding Partners, and the Independent Engineer.

Design activity regarding the project elements, with the exception of the Future Use plans, is complete. The site continued to blossom with construction activity through the first 3 Quarters with all remaining elements active. Construction on the site, was shut down, with the exception of the Pump Around (TP6A), and the Material Handling Facility (TP2), during the winter months. During this period, the sites were secured with the other contractors only engaged in the weekly monitoring and maintenance of their sedimentation and erosion control measures and other environmental protection measures. The TP6A Contractor dismantled the pumping infrastructure in the South Pond and relocated the pumps to a newly constructed pump pad at the Narrows Bridge. The pumps were commissioned by mid March and the outlet from the North Tar Ponds to Sydney Harbour was closed on March 20th, 2012.

The Spring of 2011 brought with it the start up of what arguably will prove to be the most highly coordinated and complex construction season of the Project. The synergy and dynamic cooperation between the contractors was immediately obvious and absolutely critical. The interdependence on schedules and overlapping work areas demanded increased focus, particularly as it applies to TP6A, Ferry Street Bridge (TP6C), and the solidification and stabilization (TP6B). The Agency, the Independent Engineer (IE), and the Design Engineer (DE) worked with the contractors on all fronts successfully minimizing delays and mitigating potential impacts, assuring that schedule was met or better.

The Tar Ponds Cap (TP7) Contractor completed all contractual obligations, including finishing the placement of cohesive soils and geo-membrane, as well as the completion of topsoil and hydro-seed on the South Pond. In late fall of 2011, grass could be seen growing on the South Pond bordering a completed channel. The TP6B Contractor completed the channel construction, and all the solidification and stabilization of Phase 2 of the North Pond on schedule. The TP7 Contractor followed behind the progress of TP6B completing the placement of the majority of the cohesive soils and geo-membrane by late November, eliminating the need for frost protection to be installed. The Ferry Street Bridge parallels a significant Municipal sanitary sewer interceptor and supporting structure, which was relocated to an adjacent location. The bridge abutments were completed in time to enable the installation of the bridge girders by the TP6C Contractor in mid December. The Coke Ovens Brook Connector (CO1) is in closeout, including the lower reaches which outfalls into Wash Brook. The Material Handling Facility Operation

CTP2), a First Nations Set-Aside contract, is functioning well and meeting the requirements of the contractors involved.

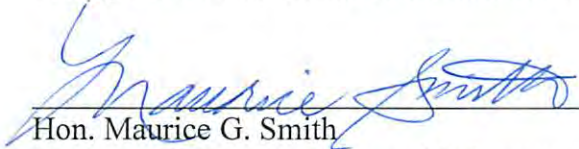
The Agency, in past years, developed a successful partnering with Nova Scotia Lands, (NSL), utilizing the experience and technology used on the Sysco site to complete elements such as the “Tar Cell” and the “Spar Road Realignment”. The Tar Cell project included the remediation of the Domtar Trench, and was completed at a significant savings to the Project. Building on this success, the Agency engaged NSL to manage the Coke Ovens (CO6) element, including design and construction oversight. The Project has been previously split into two portions, CO6A and CO6B. CO6A is assigned as a First Nations Set Aside and CO6B is a general tender. Both have been tendered and awarded with the CO6A Contractor having completed most of the work this fiscal. CO6B mobilized and completed some grubbing and rough grading before winter shut down.

Working with, and through, the Community Liaison Committee (CLC), towards a common goal of maximizing potential future use consistent with the community’s vision, the Agency and the Partners engaged a consultant to design the specific elements related to Future Use consistent with the vision established last fiscal. Presentations to the Cape Breton Regional Municipality Council and CLC, along with the related open houses, have also been completed and were well received. The Agency and the Partners are preparing, through the Consultant, two (2) tender packages for issue. One package for the Tar Ponds site and one for the Coke Ovens site.

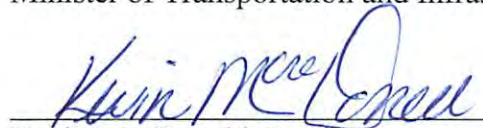
The Project has included the first Aboriginal Set-Aside Agreement in the Province of Nova Scotia. The success of the Cooling Pond site, the Pilot Scale work, the construction access roads element, and the TP2 Operations demonstrates the legacy of this initiative. We continue to move forward with the award and construction of the latest element, CO6A, which is a considerable portion of the Coke Ovens site cap. The Agency and the Partners continue to work very closely with the Unama’ki Economic Benefits Office and First Nation Leadership to assure the productive relationship which has been developed will continue to deliver positive results meeting all objectives of the Agreement.

Commencing last fiscal year and continued into this one the Agency has worked with a United States based production company which has produced a documentary highlighting the Project that has been distributed to most North American markets, including being offered locally on the Discovery channel. The Agency worked with the Partners on the production of the DVD “Heart of Steel” released earlier this year which was extremely well received by the local public. Media coverage by all mediums, locally, nationally, and internationally is consistently active and positive. The Agency communications strategy continues to be robust and well received as evidenced in recent Omnibus polls.

The site was vibrant and alive with activity during the 2011-12 fiscal year and this will continue during 2012-13 as we move forward to complete this Project on time and on budget.



Hon. Maurice G. Smith
Minister of Transportation and Infrastructure Renewal



Kevin MacDonald, President
Sydney Tar Ponds Agency

3.0 Financial Results

	FISCAL YEAR 2011/12 BUDGET (000)	FISCAL YEAR 2011/12 ACTUAL (000)	FISCAL YEAR 2011/12 VARIANCE (000)	NOTES
Payroll	\$2,631	\$2,600	\$31	
Capital	\$66	\$27	\$39	(1)
Other Preliminary Works				
Total Preliminary Works	\$2,697	\$2,627	\$70	
Preventative Works	\$0	\$0	\$0	
Project Works	\$52,279	\$49,491	\$2,788	(2)
Joint Panel Impacts	\$19,625	\$10,191	\$9,434	(3)
Other Costs	\$3,621	\$3,586	\$35	
TOTAL COSTS	\$78,222	\$65,895	\$12,327	
FUNDING:				
Provincial	\$31,289	\$26,358	\$4,931	
Federal	\$46,933	\$39,537	\$7,396	
TOTAL FUNDING	\$78,222	\$65,895	\$12,327	

Notes:

- (1) Capital expenditures were less than expected as a result of deferring a vehicle purchase and office equipment purchases to fiscal year 2012-2013.
- (2) The primary reason Project Works was less than expected is there was less material in phase II of project element TP6B to be treated.
- (3) The primary reasons Joint Panel Impacts was less than expected was the delay in tendering project element CO6 and the delay in designing the future site use element.

4.0 Performance Measures

4.1 Health & Safety

Outcome Description

Health & Safety plans are implemented, monitored and optimized throughout the cleanup project. The Project Joint Occupational Health and Safety Committee (JOHSC) continues to meet on a monthly basis. The Site Health and Safety Supervisors meet on a monthly basis with personnel from Nova Scotia Labour and Advanced Education to review incidents, share lessons learned, and communicate on site logistics.

What Does This Measure Tell Us?

This measure indicates that the Agency is taking a proactive approach to worker safety, is in compliance with Regulatory permits and that the health and safety program remains effective during the cleanup project. It also demonstrates the Agency has a good understanding of issues before they become hazards. Monthly audits verify that each element contractor has implemented and maintained effective health and safety programs.

Where Are We Now?

The Project Master Health and Safety Plan (MHASP) Rev H continues to promote a team approach of working together and working safely. It is scheduled for an annual revision in July 2012.

One hundred and eighty-three (183) incidents have been reported since the inception of project construction activities at the Material Handling Facility. In the 2011-12 fiscal year a total of two (2) lost time incidents have been reported by the contractors resulting in a lost time frequency rate of 1.35, which compares favorably with the Nova Scotia industry standard of 2.4.

Where Do We Want to Be?

As we continue with the cleanup, the health and safety of the community and our workers will remain our number one priority. The Agency will continue to strive to reduce injuries and loss time accidents ensuring timely responses on incident reporting. The Agency will also continue to recognize the importance of health and safety through promotion and awareness.

4.2 Project Schedule

Outcome Description

4.2.1 Project schedule demonstrates sufficient time to complete the project by March 2014.

What Does This Measure Tell Us?

This measure indicates the project proceeds without significant delay or interruption.

Where Are We Now?

All design aspects of the project elements, except future site use features, are completed. The Agency's focus is on construction oversight activities and developing best practices from a lessons learned perspective.

The Agency's personnel remain united through the leadership of the two directors. The Agency recognizes the risk related to the time and materials (T&M) approach engaged for construction oversight. Effort continues to be applied on controlling oversight effort from both a lessons learned perspective and with the Agency taking on a more active role on some construction oversight related activities. The Agency continues to investigate efficiencies and take advantage of spatial overlap of project works in the assignment of resources.

The Agency continues to challenge the cost of oversight from a project wide perspective. Based on the efficiencies realized from adjusting the reporting and oversight activities demanded by the EPP and project framework, similar adjustments have been made throughout the project. These adjustments have been made without compromising our commitment to protect the environment or satisfying requirements of the cost share agreement..

Where Do We Want to Be?

All of our major contracts have been awarded and we anticipate the majority of these will be completed within this fiscal year. The only current contract that is expected to linger beyond this fiscal year end is TP7 (Tar Ponds Cap).

The Agency will be issuing a tender for Future Site Use, in July and construction is scheduled to begin in late August to early September of this year. Focus will be in the South Ponds Commons area of the site and the Coke Ovens Road. Construction will continue into 2013 with a targeted end date of November, 2013.

Outcome Description

4.2.2 Financial forecasts are within original budget.

What Does This Measure Tell Us?

This measure indicates expenditures are within annual budget targets.

Where Are We Now?

Fiscal 2011-2012 was a period of working towards final project milestones. All of the project elements, except the future use features, were through the design phase and the construction phase was well under way. Three additional projects were started during this fiscal year, namely the Coke Ovens Cover (CO6A and CO6B), Ferry Street Bridge Construction (TP6C) and Future Use Engineering Design. Construction of three major projects continued. These are the Pump Around Project (TP6A), Tar Ponds Solidification/ Stabilization (TP6B) and the Tar Ponds Cap (TP7).

The Agency through the strategic deployment of the skills of the entire team, continues to deliver project elements on time and on budget with keen monitoring and respect for quality and environmental consciousness.

At present, there are no outstanding Part V Approvals. However, the Agency continues to tweak its reporting and monitoring systems to deliver approved monitoring programs in tune with technology changes, social requirements and fiscal responsibility.

Where Do We Want to Be?

As of the end of fiscal year 2011-2012, construction elements completed are the Cooling Pond, Materials Handling Facility, Tar Cell Solidification/Stabilization, Vertical Cut Off walls, Groundwater Collection and Treatment Facility, and Coke Ovens Brook Connector (Lower Reaches). Other construction elements are underway including Solidification, Stabilization & Channelization of the Tar Ponds (73% complete), the Tar Ponds Cap (40% complete), Coke Ovens Cover Phase 1 (90%) complete, Coke Oven Cover Phase 2 (25%), and the Ferry Street Bridge Construction (30% complete).

The Agency remains committed to keeping the project on time and on budget while recognizing the need to be, safe, open and transparent in our delivery. To date, the project remains to be on schedule and within budget.

Outcome Description

4.2.3 Economic impacts are optimized.

What Does This Measure Tell Us?

This measure indicates economic impacts are reasonable.

Where Are We Now?

Agency procurement continued to strongly emphasize local content with bids assessed on the award of 15 of a possible 100 point total based on the geographic location of a bidder's business operations, place of residence of labour inputs, and level of community support. The Agency continued to measure the combined (direct, indirect, and induced) impact of expenditures on the Design Engineering and Construction Oversight contract as well as the direct impact of all other expenditures within the framework of the \$400 million cost-share agreement.

The Design Engineer continued to report quarterly throughout the 2011-2012 fiscal year. Since contract inception in October 2006, approximately 886 full-time-equivalent (FTE) jobs have resulted from cumulative expenditures of just over \$40 million on design engineering services. Sixty-three percent of FTEs occurred in Nova Scotia, with sixty-four percent of direct expenditures occurring within the province.

Reports provided by the Design Engineer indicated that local procurement was being emphasized to the benefit of Cape Breton enterprises; that equity employment practices were in place; and that capacity development of local enterprises was being emphasized to facilitate involvement in the cleanup.

The Agency employed methods and a format appropriate to the documentation and reporting of direct local economic benefit impacts from project expenditures under the Interim and Final Cost Share Agreements. The Agency reported impacts in conformity with Canadian General Standards Board requirements.

As indicated below, 2011-2012 impact data on local content were encouraging. Cumulative project expenditures of \$273.4 million enjoyed 94% Canadian content. Since project inception in April 2004, vendors and project implementation generated more than 1.8 million person hours of employment with approximately 87% having occurred in Cape Breton. The government partners and regulators expended approximately \$25 million in addition to the \$400 million project, with more than 95% of expenditures having occurred in Nova Scotia.

Since commencement of the project, government partners and regulators generated approximately 347,000 person hours of employment with 99% Canadian content. In total, since project inception in 2004, about 2.1 million person hours of employment or 1,075 full-time-equivalent jobs were generated with approximately 90% Nova Scotia content.

Since project commencement in April 2004 a total of 48 contracts with a cumulative value of \$292 million were awarded to twenty-five (25) vendors. Twenty-three (23) service providers under contract to the project were located in the Cape Breton Mulgrave region and four were First Nations.

Six projects (Cooling Pond, North and South Pond Pilots, Construction Access Roads, TP2-Materials Processing Facility Operations, Enhanced Environmental Work Training Program, and CO6-A Coke Ovens Cap) had or were being undertaken as set-asides within an earlier executed Protocol Agreement. Their combined value approximated \$17 million or about 90% of the originally designated \$19 million total.

Since project inception approximately 82 First Nations had worked on the clean up with an accumulated total of more than 117,258 person hours of employment or 59 FTEs.

Joint Review Panel recommendation #35 spoke to the engagement of African Nova Scotians in the project. In this regard, policy was formally adopted to the effect that all construction elements engage a prescribed number of African Nova Scotians. Approximately 34 African Nova Scotians have worked on the project since inception for a cumulative total of about 41,400 hours or 21 full-time-equivalent jobs. Almost \$830,000 is estimated to have been paid in wages to date to African Nova Scotians employed on the project.

Monitoring the participation of women working on the project in non-traditional roles is inherently part of Recommendation# 34 that spoke to a Women's Employment Strategy. Since project inception, 47 women participated in non-traditional roles. The women in question occupied a range of positions from environmental monitoring, through to quality assurance and general labour.

Where Do We Want to Be?

Continued verification of program effectiveness in relation to Joint Panel recommendations and Project Management Committee directives. Active participation in the clean up by Cape Breton vendors, ongoing demonstration of the quantifiable impact of the project across several areas of measure, including employment, direct impact, and content, along with regular and frequent communications with key stakeholders based on comprehensive and informative reports.

4.3 Communications

Outcome Description

A clear understanding and appreciation for the project exists amongst key public stakeholders and the community at large.

What Does This Measure Tell Us?

This measure indicates confidence in and support for the project based on the provision of key information on a timely basis.

Where Are We Now?

The Agency has prepared and had approved an overall communications strategy, as well as specific initiatives with clearly laid-out objectives and deliverables to 2014. All plans were reviewed in 2011-2012.

Public surveys were conducted and feedback shows community acceptance of key project issues. The response to the statement “*once the tar ponds and coke ovens sites are remediated, Sydney will be a good place to live, work and play,*” gained support throughout the fiscal year. In total, there was a 36 per cent increase of respondents strongly or somewhat agreeing that Sydney will be a good place to live, work and play once the project is completed.

Due to improved onsite construction management, reported odour concerns from nearby community residents dropped significantly during the fiscal year. Efforts were made to alert the community to the project’s 24-hour Hotline.

There was an LEB workshop held during the fiscal year to highlight the success of the program. The workshop gained positive media attention, and was attended by community and business leaders. As well, each newsletter highlights local labour.

A renaming strategy remains a priority, but is tied to the development of future use elements. The 100 per cent design was not available within the fiscal year.

The Agency continues to manage its relationships with the Community Liaison Committee through regular monthly meetings. Aside from regular feedback and committee updates, members were asked on several occasions to provide feedback and specific issues regarding reporting methods and the Agency’s presence in the community. The committee is provided with regular site tours to see the Project progress first-hand.

The Agency continues to host tours with visitors coming from across Canada, US, and Asia; hosting delegates ranging from elementary school classes to federal ministers to research and

construction personnel from abroad. News releases are issued during milestones and events of particular importance to Project progress. All communications material was updated and restocked and is available for public distribution.

The Agency continues to attend local, national, and international environmental remediation conferences to raise the profile of the Project and to develop a reputation as a leader in the field of remediation.

The Agency issues regular news releases, website bulletins, provides candid interviews with knowledgeable staff and issues timely media advisories when there are work stoppages at the site. Media personnel are often granted accompanied site access to obtain in-depth and accurate news story updates.

There is ongoing interaction with partners via email, routine visits for update and development sessions, as well monthly updates.

Where Do We Want to Be?

Continue to hold stakeholder interest, broaden knowledge and understanding of the project to facilitate collaboration, cooperative effort, optimized engagement and effectiveness. Continue activities which expand the project's audience and promotes the project as a positive example of environmental remediation.

4.4 Documents, Permits and Regulations

Outcome Description

Successful execution of the Final Cost Share Agreement (FCSA) and successful implementation of all Joint Panel Recommendations as accepted by the government partners.

What Does This Measure Tell Us?

This measure indicates the successful conclusion of all project foundation agreements including realization of all regulatory and performance criteria.

Where Are We Now?

Progress towards completion of the project continues on schedule and within budget. At the end of the fiscal year approximately 73% of the solidification and stabilization of the Tar Ponds was complete. This is the largest project element amounting to approximately 30% of all project construction activity. All element designs with the exception of the future site use design have been completed and all Environmental Part V approvals required have been received.

The project continues to address joint panel recommendations with considerable progress made on panel recommendations #34, #35, and #43 during the year. At the time of writing, all reporting and audits required by the Final Cost Share Agreement and Treasury Board were successfully completed.

Where Do We Want to Be?

Continue to make progress on the implementation of the project. Prior to the conclusion of fiscal year ending March 31, 2013 we expect to have 100% of the Tar Ponds Solidification and Stabilization project completed, approximately 90% of the Tar Ponds will be capped and 100% of the Coke Ovens Site will be capped.