

HANSARD

NOVA SCOTIA HOUSE OF ASSEMBLY

COMMITTEE

ON

PUBLIC ACCOUNTS

Wednesday, December 9, 2015

LEGISLATIVE CHAMBER

Nova Scotia Film and Television Production Incentive Fund

Printed and Published by Nova Scotia Hansard Reporting Services

Public Accounts Committee

Mr. Allan MacMaster, Chairman
Mr. Iain Rankin, Vice-Chairman
Ms. Margaret Miller
Ms. Suzanne Lohnes-Croft
Mr. Brendan Maguire
Mr. Joachim Stroink
Mr. Tim Houston
Hon. Maureen MacDonald
Hon. David Wilson

[Mr. Terry Farrell replaced Mr. Brendan Maguire]
[Ms. Marian Mancini replaced Hon. David Wilson]

In Attendance:

Ms. Kim Langille
Legislative Committee Clerk

Mr. Terry Spicer
Deputy Auditor General

Mr. Gordon Hebb
Chief Legislative Counsel

Ms. Nicole Arsenault
Assistant Clerk, Office of the Speaker

WITNESSES

Department of Finance and Treasury Board

Mr. George McLellan, Deputy Minister
Ms. Lilani Kumaranayake, Executive Director,
Federal-Provincial Fiscal & Economic Budgetary Planning

Nova Scotia Business Inc.

Ms. Laurel Broten, President and CEO
Mr. Mike Queripel, Director, Business Financing Group



House of Assembly
Nova Scotia

HALIFAX, WEDNESDAY, DECEMBER 9, 2015

STANDING COMMITTEE ON PUBLIC ACCOUNTS

9:00 A.M.

CHAIRMAN

Mr. Allan MacMaster

VICE-CHAIRMAN

Mr. Iain Rankin

MR. CHAIRMAN: Good morning, everyone. I call this meeting to order. We have with us today the Department of Finance and Treasury Board, and also Nova Scotia Business Inc. We will be discussing the Nova Scotia Film and Television Production Incentive Fund. I would ask everyone to place their cellphone on silent so that we don't have any interruptions.

Welcome to everyone in our gallery. Only accredited media can take photos today, and also no applause or displeasure, we would ask from anybody who is visiting with us, but welcome to you all.

We will begin with introductions starting with Mr. Farrell.

[The committee members and witnesses introduced themselves.]

MR. CHAIRMAN: I would like to give both of our departmental guests an opportunity to provide some opening comments and then we'll continue with questions from the committee. Mr. McLellan, would you like to go first?

MR. GEORGE MCLELLAN: Yes. Thank you very much, Mr. Chairman. I guess first of all I would like to refer to Lilani who is here with me and she has been here before so most of you are familiar with Lilani. Thank you, Lilani, for joining me here from the department today.

I guess it won't come as a surprise to anybody that Nova Scotia is facing serious economic and demographic challenges, and that these challenges have for many years shaped our budget discussions. This province has had deficit budgets for 20 of the last 30 years and we have been really referring to debt for some time as a way to maintain services.

For all of us as individuals, I think it's fair to assume that we wouldn't run our households that way and government shouldn't be run that way either, and we're at the point now where government can't be run that way further. You wouldn't put your family or the foundation of your family in jeopardy in this way. You would probably have to cut your expenses.

To get sustainable finances, changes have to be made. We had an option once, many years ago, but that is gone now. We were able to increase taxes, but now we're at the point where we really have unbalance in almost every category, the highest tax rates of any province in Canada. So that option is not available to us.

I think it has been clear - I think even most Nova Scotians would support the contention that we now have one option, and that is that we have to keep them from having to pay more taxes. We need to reduce our expenses and we have to grow - but the expenses right now are in the context in terms of what is on the discussion table today.

Our government has a number of competing priorities when we go through this exercise. All of you would be familiar with this. There are difficult decisions being made every day about these decisions; they're not easy, and it involves some rationalizing.

In this particular case, with regard to the Film Industry Tax Credit, it has been portrayed as not having been well thought through and made in a vacuum. This is not the case; the government undertook a program review, I guess it would be about a year ago. The government would have been involved in that exercise in preparation for consideration of items for the budget - again, you're all probably familiar with that exercise as well - and they looked at hundreds of programs at that time.

The Film Industry Tax Credit was one program that came under scrutiny as a part of those many that were identified for review. There is no doubt the government wanted, and still wants, a film industry in Nova Scotia. I think that's a fair comment. The difficult part is that in the context of what happened subsequently with regard to the budget - I want to make it clear that the province values the film industry, the question instead is, in their current state, can we afford to have the most generous tax credit in the country? That would be the issue.

It was decided to create a competitive, predictable system that would be competitive, but I also want to focus on the word “predictable”, which is the difference between a tax credit that grows in our situation in which we have no reference point of control. To fund a support system that would be fair and affordable to Nova Scotians is what really was sought.

In terms of the tax credit as it stood, for every production dollar spent in Nova Scotia, the government provided 35 cents of that dollar - that’s the highest level of government support by far received by any industry or province. Again, I would say that this is not to take a negative view of the industry. Quite the contrary; it just has to do with, as I say, the context of the difficult choices that we have and how the decisions we have in a rationing basis affect our ability to support the services that I referred to earlier.

By comparison, the payroll rebates that we have seen popular in terms of economic development in Nova Scotia for many years usually cost about 8 to 10 cents on the dollar, and they’re often portrayed in this House as generous, by debate.

In 2014-15, the Film Industry Tax Credit cost taxpayers in Nova Scotia \$23.5 million. In the fiscal year currently it is already at \$39.6 million. That is the tax credit. Over the past 10 years, the government has supported the industry through more than \$200 million in tax credits. In 2013-14, the last year - the complete tax data is available and I think you could understand that is how the tax credit works as opposed to the grant or the fund - \$26.4 million was spent on film tax credits.

The revenue from personal tax income, corporate income tax, and consumption taxes such as the HST, is estimated to be about \$6 million from this industry. This means that for every \$1 of the tax credit, the government receives less than 25 cents back. In creating a budget with the limited financial resources available to us here present in Nova Scotia and the growing demands in other areas of responsibility such as health and education, it’s irresponsible not to have re-evaluated such a government incentive.

Making budgetary decisions that impact industries in a tough climate is not an easy job. It’s not an easy job, and everybody can appreciate that, I’m sure. However, the government has a responsibility to respect the fiscal challenge and ensure that each dollar is spent, and does so after careful consideration.

The government is borrowing to pay for things like the Film Industry Tax Credit. Our debt is still not declining; it is growing. At the same time we are foregoing revenue and we’re leaving that debt behind for our children, and we’re challenging our service deliveries in various sectors.

To get better balanced finances, the province has to seize opportunities for growth and provide a future here so the industry’s value is well understood. Yet, the province is feeling strained. Over the last four years, many jurisdictions in Canada as well, and the U.S., have decreased funding for this industry.

The tax and regulatory review recommended we align the Film Industry Tax Credit with similar tax measures in other Canadian jurisdictions. In working with the industry, the new Film and Television Production Incentive Fund was modelled after a successful program in the Province of Alberta. This new arrangement continues to provide support to the valued industry while staying within the fiscal plan. It is predictable.

The fund is now managed by NSBI, and I'm pleased to have president and CEO Laurel Broten here with me today to speak to the arrangement in more detail, as your questions may require. Thanks, and now I'll go over to Laurel so she can make some opening remarks as well, Mr. Chairman. Thank you.

MR. CHAIRMAN: Thank you, Mr. McLellan. Ms. Broten.

MS. LAUREL BROTEN: Thank you, deputy, and good morning, Mr. Chairman and members of the Public Accounts Standing Committee. Before I speak directly to the role that Nova Scotia Business Inc., commonly referred to as NSBI - and that's how I will refer to us - plays in administering the Nova Scotia Film and Television Production Incentive Fund, I thought it might be helpful to provide a brief snapshot of NSBI and what we do, to provide context for today's meeting.

Our mission at NSBI is to drive economic growth in Nova Scotia through attracting and expanding investment and developing businesses in all communities to become more successful exporters. Our NSBI team works directly with businesses to explore new markets, help them sell goods and services abroad, identify business partnerships and opportunities, and provide business advice, solutions, and financing. We also work with partners to attract foreign investment into our province.

What do the steps to success look like at NSBI? They are embedded in our 2015-16 strategic goals.

The first is to increase the number of exporters and the value of Nova Scotia's exports. Of course, we all know that the goal is to double exports in the next 10 years.

Second, Nova Scotia needs investment. We work every day to attract investment into Nova Scotia from companies here, the rest of Canada, and the world in targeted sectors such as financial services, ICT, ocean industries, aerospace, and defence, to name a few.

Finally, we strive to establish Nova Scotia as an international jurisdiction of choice in which to invest, work, and do business.

As of the Spring budget in April 2015, the film industry entered into a period of transition, and so did we at NSBI. With the filing of our 2015-16 business plan, NSBI absorbed a \$1.5-million budget cut: \$350,000 to operations, \$850,000 to our loan valuation allowance; and \$300,000 to our strategic investment funds. In addition, the Spring provincial budget brought an expanded range of responsibilities to NSBI. Included in these

new responsibilities are the Jobs Fund, the Small Business Development Program, the Creative Industries Fund - which is now under development - the Credit Union Small Business Loan Guarantee, and the Nova Scotia Film and Television Production Incentive Fund, to name a few.

With respect to the film and television industry, in a very short period of time - from April 9th to July 2nd - we transitioned files and staff, management, and operations to NSBI from Film and Creative Industries Nova Scotia. We brought in a new team, took over a new area of responsibility, and launched a film fund on time by July 2nd.

The transition, though, was certainly not without its bumps. We would have liked to have been able to have more information available more quickly, but obviously privacy concerns did not fully allow the transition of lists and databases from Film and Creative to ourselves. So we recreated those and, on a number of occasions, reached out to the industry to make sure that they knew that we were there, that we were available, and that we were able to provide detailed and accurate information.

Since that time, myself and our team have had a number of meetings with Screen Nova Scotia, IATSE, the Directors Guild, and others to talk about how we can work together and how we can engage them in the export initiatives that we have and the trade missions that we run on behalf of a multitude of sectors that drive the Nova Scotia economy.

Since the launch of the Film and Television Production Incentive Fund, the NSBI team has been actively engaged with the industry. NSBI has provided marketing materials to the industry, attended the Atlantic Film Festival to answer questions about the film fund, and continues to communicate regularly with stakeholders and partners.

Our job at the film festival was to make sure that the rest of the world knew that Nova Scotia was open for business. We produced a document - which I'm happy to provide if you've not seen it - which described the new film fund and how they could find out information about how it worked, because we recognized that it was important to proactively outreach into the community and make sure that everyone had access to that information.

Where are we today? The Film and Television Production Incentive Fund operates in accordance with guidelines that we follow, as well as a specified budget amount that we've been provided. The budgeted amount for the film fund for the next year is \$10 million, and that's available to NSBI to operate under for the 2016-17 year, and that level of commitment has been established by the province until 2020-21.

The film fund guidelines have two streams of application and, depending on the stream you apply for, the production is eligible for 25 per cent or 26 per cent of all eligible costs in Nova Scotia - stream 1 is for our indigenous co-productions and that is at 26 per cent; stream 2 is for service productions and the eligible incentive is at 25 per cent. The

guideline also states that applications that are deemed complete will be handled on a first-in, first-out basis for production funding, provided the production is qualified.

Our judgment at NSBI is limited to whether the production qualifies under the guidelines. According to the film fund guidelines we also disclose all film funding commitments on our website, and fund recipients are also required to update the provincial accountability reporting website.

Over the past few months, NSBI has approved nine applications to the film fund and we've committed approximately \$1.6 million. The potential production value of these applications is approximately \$6.9 million and there are also four other applications currently under review.

Thank you, and I very much look forward to answering, along with my colleague, Mike Queripel, any questions you might have about the Nova Scotia Film and Television Production Incentive Fund.

MR. CHAIRMAN: Mr. Houston, for 20 minutes.

MR. TIM HOUSTON: Mr. Speaker, thank you for the introductory remarks. I was listening with interest when the deputy minister was talking about the demographic and economic challenges of the province. I agree with that, but I also would go one further and say we can't, as a province, afford to keep making mistakes. My questions today will be as to whether what happened with this Film Industry Tax Credit was a mistake and then, if you have the information to analyze whether or not it was a mistake, where we go from here - that's kind of the vein.

When I hear the analogy of the household having to cut expenses to make its budget and stuff, I know that what a household wouldn't do to help solve financial issues is quit their job. I am worried that the changes to this industry have effectively been the equivalent of quitting the job because it has reduced revenue for the province, and that's kind of the thing.

When you talk about the new fund gives predictability and stability to governments, I wonder if the industry would say that it has given them predictability and stability. My question for the deputy minister: There has been a lot of talk as to whether the new fund is capped or not capped - is the fund for this year capped at \$10 million?

MR. CHAIRMAN: Mr. MacLellan.

MR. GEORGE MCLELLAN: The current year is an interesting one because for a good portion of it we have the tax credit still available up until a certain date. The fund itself actually operates from after the start of July and in that sense the budget amount was \$10 million. So, as it stands now, that is the budget amount. Is it capped? It's the budgeted amount.

Going forward what this would represent in my context - and, again, remember we'll go into a budget discussion very soon - as I think it was indicated to the industry at the time we are, as we are with all of the measures of expense, and where they do involve our stakeholders in industry, open to discussion as to what the context is for further increase, latitude, or whatever, and that has to be then considered in light of what our financial situation is at the time going into it.

MR. HOUSTON: I think this is the frustration of the industry - did I hear that it's capped?

MR. GEORGE MCLELLAN: Capped - do you mean the budget amount set at \$10 million and that's it for this year?

MR. HOUSTON: Will you go over the \$10 million under any circumstances?

MR. GEORGE MCLELLAN: This year?

MR. HOUSTON: Correct.

MR. GEORGE MCLELLAN: Remember, you're talking to the Deputy Minister of Finance and Treasury Board, so I'm going to say no. But let's remember, I'm the Deputy Minister of Finance and Treasury Board and beyond that, that is where I start and end. So you're maybe not asking the right person but, if you're asking me, the answer is no.

MR. HOUSTON: No, it's capped, or no it won't go over?

MR. GEORGE MCLELLAN: It won't go over.

MR. HOUSTON: So from where you sit, it is capped at \$10 million.

MR. GEORGE MCLELLAN: From where I sit, that's a budgeted amount just like all budgeted amounts and my job, which I think you would be happy about if I do well, is to make sure that we stay within those budget allocations.

MR. HOUSTON: Maybe I'll ask Ms. Broten, from where she sits, is it capped at \$10 million?

MS. BROTEN: As I said in my introductory remarks, we have a budget allocation of \$10 million. NSBI is responsible, in every area that we are given, to adhere to our budget allocation. That is similar with respect to strategic investment funds - we receive a budget allocation.

I guess what I would say in this transition year, the question that you're asking is quite irrelevant in terms of our current state of affairs in that we are right now, as I said,

we have had \$1.6 million in claims advanced against the 2016-17 budget and we're in a year that is an anomaly in terms of the hybrid reality in which the industry lived in.

So we recognized that fact. We recognized that for up until the budget came down on April 9th there was a lot of uncertainty, a lot of uncertainty in the industry, a period of time of negotiation between the industry and the government. We were not part of that at NSBI, but as a result you saw a number of applications come in before the conclusion of the Film Industry Tax Credit up until July. Our fund launched on July 2nd, but the guidelines were not made official and final until the end of June. So again, I think there is uncertainty.

Since July 2nd, we've had those applications. We've processed those applications, and we have a lot of capacity in the budget allocation that we've been provided by the province, and so my message to the industry with my team is we are open for business; we are looking to receive those applications for the 2016-17 year and we have a lot of capacity to do that.

The advantage for the industry to some extent is that we know, in terms of the film fund, that the available resource will continue annually until 2020-21 - is the commitment of the province. We have a long runway. We want to see those productions come in. We'd like to see some long-term productions come in as well.

MR. HOUSTON: Yes, and we're going to talk about that, but my first reaction is I can't properly explain how disappointed I am to hear you use words like "irrelevant" and "anomaly". To the people who were working in the industry and no longer have jobs or who are moving away, I'm sure they'd take cold comfort in the fact that this is an anomaly year. This is not an anomaly for them.

So my question for you about the structure of this new program is, do you believe if somebody from this industry has gone to a big film festival to pitch a project and they're pitching a project, and all other things being equal, they're competing against other people who are pitching projects that they're going to take to another jurisdiction, and now our person from Nova Scotia has to say, I think this is what we might be able to get in terms of support, but I'm not sure - I have to go apply and go through the application process and then I'll be able to tell you what support I can provide. It might be nothing, if the fund has already hit the cap, which I don't know if it has or not as I sit here pitching my project to you.

Do you not understand how somebody might say, thank you very much for your pitch, I'm going to take my project over to this jurisdiction where I know today with certainty what I have? Do you agree that has created a challenge for people trying to pitch projects and build the industry? Do you agree that this new structure has created a challenge?

MS. BROTON: So let me say I don't underestimate for a moment how challenging the transition year has been for the industry, but let me also say that our team at NSBI has

been working closely with the industry to try to get the information out and to make sure that everyone is aware of the clarity and certainty that now exists. There is no doubt there was a period of time of lack of clarity and certainty, but as of the launch of this new fund, as of the detailed approach and information, there is a great deal of certainty.

If you're in stream 1, it's 26 per cent; if you're in stream 2, it's 25 per cent. We have a very quick turnaround on the approvals process. The lens that our team analyzes through is whether you meet the guideline criteria. Once you receive the information that you have been deemed eligible, you have that certainty, and it is our obligation at NSBI not to go over our budgeted allocation . . .

MR. HOUSTON: Right, so . . .

MS. BROTON: We are not anywhere near the budgeted allocation. So the message from all of us collectively who want to champion . . .

MR. HOUSTON: But there's a reason you're nowhere near . . .

MS. BROTON: But I think every person has a responsibility . . .

MR. HOUSTON: If I may, Mr. Chairman, in the interest of time - I have 20 minutes.

MR. CHAIRMAN: Order. Mr. Houston.

MR. HOUSTON: Thank you. I have 20 minutes. I appreciate your perspective, but I have my own perspective that I'd like some clarity on.

My question to you is - to me, the existence of the cap is problematic for the industry because if I came to you with an application today for the best production to ever hit these shores - a \$20 million or \$30 million production - and the Deputy Minister of Finance and Treasury Board said, "Sorry, too late. We've already hit our cap." We're going to thumb our nose at that project and tell it to go away. That's a problem that jeopardizes the entire integrity of the system.

You probably will never get to that point; you'll probably get to \$1.6 million in applications because the big fish, the big opportunities, don't play with that type of uncertainty. They're not going to invest a year or 18 months looking at projects, trying to set projects up. They're not even going to bother with your application process.

I think what the cap has done - I think it's a complete red herring to say we have so much budget room this year, because you always will. Nobody's going to play your game. I think it's a complete red herring to say that the cap doesn't have an impact on the industry because it undermines the whole structure of the industry. That's kind of where I'm at.

Since this fund was modelled after Alberta, I guess I would ask the question of the deputy minister and Ms. Broten if either one of them is aware of Alberta turning away a project because they had reached their cap. Since it was modelled after Alberta, has anyone done any research to see if Alberta actually has a real cap?

MR. GEORGE MCLELLAN: I am going to ask Lilani - again, that's why she's here - to give you a really good answer. But the context of it here, and I go back to it again, is that, yes, that's the budgeted amount. I guess ultimately it would come down to the evaluation, the recommendation if we got near it. But that's what happens in a lot of budgeted accounts.

With regard to Alberta's experience, I'll ask Mr. Houston if Lilani can answer that.

MR. HOUSTON: Sure.

MR. CHAIRMAN: Ms. Kumaranayake.

MS. LILANI KUMARANAYAKE: What we know from Alberta is that, previously with their budget flexibility, which now I think is somewhat gone, they would increase the budget allocation depending on the number of applications.

MR. HOUSTON: So they didn't have a cap per se.

MS. KUMARANAYAKE: No; they had a budget allocation just like we do. I don't know if you're aware, when we have our forecast updates, we adjust our budget allocations through our additional appropriations. So there's a process within our budget process every three to four months where programs are adjusted . . .

MR. HOUSTON: Industry doesn't often wait for government budget processes to decide.

I would ask Ms. Broten if she's aware of Alberta ever turning away a project because they had breached their cap.

MS. BROTEN: Our responsibility at NSBI is to administer the guidelines in accordance with the framework that we've been given. We manage according to budget allocations on all of our funds. We do so. That's the approach that we're taking. Again, I would just simply go back to, all of us who want to see the economy thrive in this province have a responsibility to make sure that the film industry, the conversation of today, knows that we're open for business.

If they want some clarity with respect to the fund guidelines that they don't have, I would invite the industry to reach out to our office. We have folks who are available to answer their questions, walk them through the process, and give them whatever information they need. We would be very, very pleased to do so.

MR. HOUSTON: In terms of your capacity as an administrator of the new fund, does your responsibility extend to providing feedback to government in terms of policy recommendations as to how to make the fund work more effectively, or provide feedback as to whether the fund is working effectively? Does your responsibility extend to providing that type of feedback to the government?

MS. BROTON: Our responsibility is to administer the fund in accordance with the guidelines, and that is what Mike and his team are doing at this time.

MR. HOUSTON: With all due respect, you strike me as more than just an administrator. You don't strike me as somebody who would just stamp an application and move it to another pile. I suspect that your responsibility should - if it doesn't - extend to providing feedback on whether the fund is doing what the industry needs or not. Would you accept that that should be a responsibility of yours or no?

MS. BROTON: As I said in my opening remarks, the judgment of NSBI, with respect to the film fund, is to determine whether the application meets the criteria of eligibility . . .

MR. HOUSTON: So no responsibility to . . .

MS. BROTON: So we do have responsibility . . .

MR. CHAIRMAN: Order. Please allow the witness to answer.

MS. BROTON: I think it's really important to understand that we are working closely with the industry, talking about how we can get the message out that Nova Scotia is open for business. We have received applications from film and television productions into our Export Growth Program, into our Small Business Development Program, so we have a broad suite of services available in the export domain. At the end of the day, the film industry - the creative industries are export industries. Those products are consumed, watched, and enjoyed around the world. We are looking, as we integrate this new area of responsibility into our work at NSBI, at how we can continue to work with the film industry.

I think with respect to some of the very detailed issues, it would be really important to hear from Mike Queripel about the process his team goes through to give that certainty and clarity to the applicants, if I might, Mr. Chairman.

MR. HOUSTON: That's okay. I'll pass on that right now in the interests of time, because I'm not really interested in - with all due respect to the process, it has to happen. You have to fill out an application. For me that's not part of the discussion today; the mechanics of how that fund is administered is a detail. What I'm more interested in is whether anyone is looking at whether the new fund is working.

My first question to you was, do you feel any sense of responsibility to make your own assessments as to whether the fund is working? You've advanced the position that whether it's working or not is not in your mandate, that your mandate is to administer what is there. I'll accept that, although for a person in your position I find that to be a disappointingly narrow view of what your contribution might be to this.

I still have the question - a change has been made. We can't undo what has been done, but we certainly have a responsibility to continually assess whether what has been done makes sense. Is the Department of Finance and Treasury Board tracking any kind of metrics - I'll start with jobs - jobs in the industry? Is that a number that is known to the Department of Finance and Treasury Board, that they're looking at? If that number is known, and I see maybe it might be, maybe we could have the deputy minister tell us how many people are working in the industry today - December, this year - versus how many were working in the industry a year ago? Is that a metric that would be at hand?

MR. GEORGE MCLELLAN: Yes, I agree with you on the necessity for constant reassessment, as uncomfortable as it is for me at moments to constantly discuss it. It is a big issue. I fully appreciate that, thus our appearance today.

With regard to the question, first of all, Lilani just reminded me, the Department of Business is really responsible for the credit, but the rest of your question really brought me to where we are responsible.

We get a lot of our information in Lilani's department - and maybe she can jump in here - but we get that largely through our ability through agreement to analyze the income tax data, to see who people are and where they're working, and then Stats Canada has their own independent information that is available to us, and that we can analyze. I'm not sure if we really have an up-to-date number on that, Mr. Houston, so here I go to Lilani to see whether we have that or not.

MS. KUMARANAYAKE: The department, as the deputy has said, relies on information from Statistics Canada, the federal Department of Finance, and the Canada Revenue Agency. There is a little bit of a lag.

Recently Statistics Canada released its culture satellite accounts in June 2015. In that, they actually looked at the number of jobs in the film and video sector. In the report, that's aggregated because it also includes what we call exhibition, so going to movies. The total number of jobs in the sector, according to Statistics Canada was about 809, and it was 425 excluding the exhibition positions, so that's the Statistics Canada estimate.

MR. HOUSTON: That's at what point in time?

MS. KUMARANAYAKE: That was for 2010.

MR. HOUSTON: For 2010?

MS. KUMARANAYAKE: Yes. The department then looks at the published stats. We have information related to the tax credit numbers. We then rely on the published information from the broader industry for jobs.

MR. HOUSTON: I know my time's up, so I guess we'll come back to it. But I would say that that metric is not effective for saying whether the change is working or not, there must be another metric. I hope when I come back that somebody can tell me that. I can tell you that people who aren't working in the industry are the people who sent me these letters - they're wouldn't have shown up in your 2010 statistics. We're going to come back in the next round.

MR. CHAIRMAN: Order. We'll now move to the NDP caucus, and Ms. MacDonald.

HON. MAUREEN MACDONALD: Thank you very much. I want to start first of all by asking Ms. Broten a few questions with respect to NSBI, picking up from my colleague's questions previously.

I guess it's fair to say that NSBI's job is to help grow our economy. I recognize that you can grow the economy without job creation, if there's a lot of mechanization, I guess, in some industries. But I think we would all agree that having employment and more good-paying jobs in the province is really important.

I want to ask you, does NSBI have any job targets for any of the sectors, including the film and screen industry sector?

MS. BROTEN: Our responsibility, as you're quite right, is to work in a variety of fields. In our work that we do, we work to bring in foreign-direct investment. We work to look to double export within the next number of years . . .

MS. MACDONALD: I know that, but my question is very specific - do you have job targets for any of those sectors?

MS. BROTEN: We are very conscientious of the number of jobs that are created . . .

MS. MACDONALD: The answer is no, you have no job targets. Jobs aren't . . .

MR. CHAIRMAN: Order. Ms. MacDonald I believe you asked your question. Ms. Broten, do you have a response to the question?

MS. BROTEN: I think it's really important to recognize the frame in which we work. We want to see good, quality employment in the province. We want a strong economy and we are focused primarily on the ICT sector, on the ocean tech sector, and on

the creative industry sector. We understand the importance of employment for families. We want to see strong and good employment. We administer our programs . . .

MS. MACDONALD: Thank you. Thank you, Mr. Chairman, I'm satisfied with the answer.

MR. CHAIRMAN: Order. Okay, I was just going to mention that witnesses are compelled to answer if a question is asked, but if you're satisfied with the answer . . .

MS. MACDONALD: I'm satisfied that I'm not going to get an answer to my question. I think you can only conclude that there are no job targets for any of the sectors including this sector which, again, is very concerning and very disappointing.

I want to say that it's disappointing and concerning to me - I represent the north end of Halifax, where a lot of people who work in the television and screen industry live. As recently as the 6th of December, when I was at a memorial service for the Halifax Explosion, a retired firefighter came up to me and told me his son has had 15 days of work as a very well-respected camera person who has been working pretty much full time for the past number of years - 15 days of work since this government changed its direction in terms of the film and screen industry. That isn't the only occasion when I've met people in this situation. People are frustrated, they're upset, they're angry, and they're hurting. To continually defend a terrible decision is not acceptable for people in my constituency.

I want to know, why is your message that Nova Scotia is open for business not meeting with any success?

MS. BROTON: Let's back up. April 9th a decision was made by the province to enter into a period of transition. The tax credit continues up until July; July 2nd we launch a new fund. We receive applications, we've established a process, we have put those applications out.

Very recently, the Department of Business announced that Screen Nova Scotia would receive funding to be able to do some advertising and prospecting work to be able to support the message that Nova Scotia is open for business. We had the film festival in September and we've been working with the industry to do that.

Again, I would just simply go back to I think it's incumbent upon all of us who care about the economy of this province - and we, at NSBI, do and I know that every member of this House does as well - to get the word out that Nova Scotia is open for business for the film industry, so that the individuals here, who are second to none in terms of their skill set, can be employed in the industry here at home. We don't, again, underestimate the challenge that a year of transition brings, but we have capacity in the budget allocation that we've been provided by the province, we are processing applications quickly, we are giving that certainty and clarity, and I guess I'm asking both the industry and the members of this

House to be part of helping the world know Nova Scotia wants to see film and television production here.

We have certainty in the budget allocation for this year continuing through to 2021 - that gives a lot of certainty for a large production that would be looking to come in in a multi-year schedule. We would welcome a conversation with them and we look to engage more directly and support the union, IATSI, and others who are bringing that message to L.A. and other parts around the world.

Again, I would invite all colleagues who are championing this issue in their community and supporting their industry to reach out to Mike and his team, get the information that we have available, and we'd be happy to answer any questions directly on a file specific basis with those that have that information.

MS. MACDONALD: Mr. Chairman, I have limited time and I do have a number of questions.

I think both yourself and the deputy and all members who are here from Finance and Treasury Board and from your department know Michael Donovan. We all know Michael Donovan, he just won two rather significant awards recognized for his business acumen, one in Newfoundland and Labrador for Atlantic Canada, and one for the whole country as an innovator. He recently was interviewed by Jennifer Henderson with CBC - I don't know if you're familiar with that interview. In that interview he said that these changes are very damaging to the film and screen industry and that Nova Scotia is no longer competitive. This year we will see half the amount of activity that we have seen in prior years, and in the subsequent year, he said in that interview, it will be half again in reduction.

You seem to be of the view that this is a temporary bump in the road, but that's not the view of a very respected, knowledgeable, experienced person from the industry - is he wrong?

MS. BROTON: I'll speak to one part. I certainly have known Michael for many, many years, and you're absolutely right - he is a respected voice and is reflecting the uncertainty that comes from a transition in terms of a changing system.

What I can speak to directly with respect to the fund component is that we have ample capacity within our budgeted envelope at this point in time. We have approved more than \$1.6 million on the fund. That represents a total production value of about \$6.8 million and a Nova Scotia spend of about \$5.6 million. We have another four applications in the queue that are being processed. What you need to do is take that number and add it to the production volume that is running through the Film Production Tax Credit.

I'm going to let Lilani, if you would allow, speak to that. You combine those two numbers, and that's what the active capacity is right now. Then you look forward in terms of some of the tax credit working into next year.

MS. MACDONALD: Thank you. That's okay; I will pass on that.

I have another question, this one probably for the deputy. You've indicated that the investment fund is modelled after Alberta. What research or analysis has the department done with respect to what other advantages Alberta provides to the industry, and whether or not our situation is comparable?

MR. CHAIRMAN: Mr. McLellan.

MR. GEORGE MCLELLAN: Again, with regard to the details of it, I'm fortunate to have Lilani here. I'll answer your question if I can here in an indirect fashion.

We did have direct conversations with Alberta at the time when we looked at these options. I'd also point out that during those discussions all of that was pretty transparent with the industry.

At that point in time, if you remember - just a point of context here, and probably not going to help discussions much - if you remember the actual budget, it was different than where we ended up. The nature of that change was the transparent discussion with the industry that led to changes that you see today that you've been discussing most recently, very shortly here, with Ms. Broten. The original budget was a different thing entirely and I'm sure you'd love to have an opinion on that one, but the fact is that we ended up in a different place.

During that period of time, we talked to a number of provinces and were transparent with the industry about what all of those regimes look like in terms of the recommendation that we - jointly, I might add - came out with at the end of the day, because there was a joint announcement on where we got to with this. Subsequently, there's obviously dissatisfaction still, but the fact is that was acceptable at the time.

I'll turn it to Lilani with regard to the details and the difference of context for that province as opposed to this one, which I think you're interested in.

MR. CHAIRMAN: Ms. Kumaranayake.

MS. KUMARANAYAKE: I think it's important to understand that folks in Nova Scotia also apply for a range of other initiatives. For example, there are federal tax credits, there's the Canada Media Fund, and there's the Telefilm funding.

If you look at the picture of overall tax credit funding, we did do an analysis of that to start with. Essentially, what we found was that tax credits were about 84 per cent of the funding, and then you receive Telefilm funding, et cetera. Over time, what we noticed with the tax credit and the removal of the production cap in 2010 was the increasing reliance on the provincial tax credit for financing - it went from about 8.2 per cent of financing to about 20 per cent . . .

MS. MACDONALD: Excuse me. Mr. Chairman.

MR. CHAIRMAN: Order. Ms. MacDonald.

MS. MACDONALD: My question is about Alberta's regime.

MS. KUMARANAYAKE: The package of financing is provincial and is federal. With Alberta as well, essentially productions have access to the Telefilm, the federal Canada Media Fund, the same sorts of additional funding that our companies have access to.

MS. MACDONALD: So Alberta offers nothing different, no other competitive advantages there than we have?

MS. KUMARANAYAKE: To my knowledge, yes.

MS. MACDONALD: The soundstage wouldn't be relevant?

MS. KUMARANAYAKE: I don't know much about the soundstage; I just know about the financing piece around that.

MS. MACDONALD: Not having provincial income tax on goods and services?

MS. KUMARANAYAKE: You may want to look at what's competitive, what draws folks over. One of the questions and I think the discussion has been, and this is part of the consultations with industry, is that we needed to have a regime that was more competitive than everybody else because there were uncompetitive advantages in Nova Scotia, like space, et cetera.

I think the question, and this is more the Department of Business in terms of the policy around sector development, is to what extent our province can afford financing to support or increase a competitive position where we start with sectors that seem to have some disadvantages relative to some of the other sectors that the Department of Business is speaking to, like Oceans Tech, information, communications, telecommunications, fisheries, aquaculture, et cetera. I think that's part of a policy decision about how much you want to provide. As civil servants, we provide all of the options, and then government makes the decisions.

MS. MACDONALD: It's interesting, you speak to Ms. Broten, she's just an administrator; you speak to Finance, they don't make any of these decisions, they're made in Business - it's a bit of shell game. I'm going to turn the remainder of my time to my colleague.

MR. CHAIRMAN: Ms. Mancini.

MS. MARIAN MANCINI: Thank you for being here and allowing me to direct some questions. When I first became aware of this I was very non-political and I had no political aspirations, so I was really watching this situation evolve as your everyday Nova Scotian.

I, myself, was really shocked and I wasn't overly connected to the film industry, not in any way really connected to it, but it was just the process. For you folks, of course, you would have nothing to do with the Liberal platform and their commitment to keep the tax credit, but you would have had to play a role I would think when you were given your directive from the 2015 budget to cut. You did have to play a role in the analysis, what are we going to come up with next? Hopefully you were thinking about how it was going to impact people and how people were going to transition.

That has taken place, you have chosen to follow what I would call an Alberta model, loosely an Alberta model, because the Alberta Government has clearly said we are not refusing any productions, which means there is certainty - and that's a big issue here, there isn't certainty for the film industry here.

What's concerning again in choosing this model is that even Ms. Broten, in her report in November 2014 for the Nova Scotia Tax and Regulatory Review she stated, "Along with a long-term commitment, the industry has been seeking clear and concise guidelines and a streamlined application process. To address concerns about tax credit administration, the government should consider aligning its credit with another province. The Ontario Film and Television Tax Credit . . ." It was held up to be exemplary, as was the Ontario online application process, and they should be used as an example of best practices to guide Nova Scotia reform.

So it's clearly a very strong recommendation coming from Ms. Broten, who was in another capacity at the time, that there did need to be changes, but we should follow an Ontario model which is still a labour-based model.

I guess I'm being a little bit rhetorical here, but I'm puzzled by the rapidity of bringing in this new model, the fact that people were not allowed to be transitioned and be informed. And the suggestion that they're happy today is not accurate. People are very unhappy and they're going to you and they are not complaining anymore, but they have a gun to their heads on this.

Now I'm hearing Ms. Broten has repeatedly said that she's only an administrator to the program and does not make any recommendations. So we're seeing that it's not working, or it is one godawful transition period we're going through. Clearly, the evidence would suggest it's not working.

It doesn't seem - and I direct my question to you, to the deputy minister - that there is any preparation or planning to review it. It's in crisis and maybe some bad decisions

were made. Is there any suggestion from anybody - is anybody looking at this and saying we made some mistakes, we need to look at reviewing this program immediately?

MR. GEORGE MCLELLAN: Yes. Mr. Chairman, I know - again very conscious of not wasting your time - but I do want to say and I'm disappointed that Ms. MacDonald wasn't satisfied with our answers. I've said before when I've been here that I will do anything I can to get the answers to your questions, even outside of this if your time runs out. I re-extend that commitment. That's not our intention; please understand that.

One of the difficulties in this thing is that we give answers and it doesn't mean that we're trying to obfuscate or hide, it just means that maybe sometimes our answers aren't acceptable and repeating them is frustrating for you.

Now, with regard to reviewing this. Mistake? One of the context pieces that makes this difficult is the fact that something was given and now it has been taken, in a way, away. That makes it very difficult for those involved. There's no question, or is that lost.

With regard to the decision to go to a fund from the tax credit, one of the things I mentioned at the outset was the controllability of it. This sounds clinical and I apologize to all involved, particularly those in the industry, but as Lilani has set out, this is all a matter of context with regard to what else we do with industry.

This tax credit has been growing, we're in a difficult situation and we need to have some control over the factors of our expense trends, a big point in the decision with regard to a fund as opposed to the tax credit. All of our tax credits here in Nova Scotia as opposed to what people in the street would largely think of, because a credit for the purposes of the businesses as we extend them I think almost universally in Nova Scotia are expenses that have nothing to do with whether you made money or not - nothing to do with whether you made money or not.

So are we going to review this? It is now on a fund basis. It is predictable - that's not good for the people who disagree with this, but for trying to manage this on behalf of Nova Scotians as a financial calculation, it is something that we now can have a discussion with the industry about at some point and say okay, this is where it is now, what's the pressure, what does it look like?

I appreciate the comments about the industry contracting so it's a bit of a fait accompli, that's what's being said. Our view is that that's not the case.

MR. CHAIRMAN: Order. I do apologize, sir, it is a great answer and I actually let things go on for over a minute there, just to allow you to get that answer out because I think it helps the committee. We do have to move to the Liberal caucus and Mr. Farrell.

MR. TERRY FARRELL: I don't mind beginning by allowing you to finish that great answer, Mr. McLellan, because I agree with your assessment of its quality.

MR. CHAIRMAN: Go ahead, Mr. McLellan.

MR. GEORGE MCLELLAN: If I may, and I meant by it's a good answer I was really genuinely trying to answer it, but time ran out, so thank you.

It's not easy, these discussions, and I don't want to sound too calculated in it but the fact is, the point I was making with the answer to Ms. Mancini is that we have offered - at the time, at the time we broke discussions, negotiations with them as to reaching the fund - that we would sit down at the time of the budget, as I mentioned earlier, and have a discussion with regard to where this stands, exactly what the industry's characterization of its situation is. We, in turn, as we do with all budget items or calculations, particularly as it relates to the economics, we have to recalibrate as to what is appropriate and what isn't, relative to our ability to fund this directly.

It's a discussion that we look forward to, that we committed to having, and I'm assuming that it's going to take place.

MR. FARRELL: That's a great lead into my questions that I'd like to ask. I'm going to preface this by saying that I haven't taken an economics course or a math course since Grade 11, and that wasn't yesterday, so I'm going to get you to give me some schooling, if you will, on some fundamental economic terminology and principles.

The gross domestic product of the province, my understanding is that is a kind of measure of our overall productivity as a province. What's that comprised of?

MR. GEORGE MCLELLAN: Well, there are two: there's nominal and there's real. It's a little bit of an interesting calculation but really, if you subtract off what the rate of increase in consumable costs are and things of that nature, then you get down to the number that we would be more interested in. In Nova Scotia it's kind of trending at a reasonable number relative to other provinces, but not that great that it's going to generate money to get us out of a problem. Generally, I guess Lilani would be the best person to explain it, but basically the gross domestic product represents our increase in real value in terms of our factors of production. I'll turn it over to Lilani and see if she has anything to add to that.

MS. KUMARANAYAKE: The gross domestic product is the measure that's most widely used to measure increases in economic activity and the value of economic activity.

MR. FARRELL: So give us a number then, the total GDP for the province.

MS. KUMARANAYAKE: They've just restated - it ranges usually around \$38 billion to \$39 billion.

MR. FARRELL: Billion?

MS. KUMARANAYAKE: Sorry, million - no, billion.

MR. FARRELL: With a b.

MS. KUMARANAYAKE: With a b, yes.

MR. FARRELL: Okay, thanks. Where does the film industry fit into that in terms of how much the film industry contributes to the GDP, in terms of a number or a percentage, however you would choose to express that?

MS. KUMARANAYAKE: The latest estimates that we have from Statistics Canada are that the film and video industry is 0.014 per cent of provincial GDP.

MR. FARRELL: Now, we had some discussion about sectors and some have been mentioned here: the fishery, aquaculture, ocean tech, information technology - can you assign some numbers to some of those? Perhaps we could start with, say, aquaculture - do you have a number for that?

MS. KUMARANAYAKE: I didn't bring those GDP numbers. They're much more substantial so if you look at the sources of our GDP, the fisheries is a large source - I think fisheries is about \$2 billion to \$3 billion, but don't quote me there.

MR. FARRELL: Sure, okay. So do you know what the single largest GDP item in the province is, or the single largest contributor?

MS. KUMARANAYAKE: Government.

MR. FARRELL: Government, okay. What about behind government?

MS. KUMARANAYAKE: Then it's manufacturing, and it's particularly related to tires - so Michelin.

MR. FARRELL: Now, the nature of the film industry as an export product, because it has been referred to in that way, I've listened carefully to all of the discussions that we've heard over the last many months about this and it sounds to me that the film industry primarily contributes to the economy through the spending on production. Am I correct in that?

MS. KUMARANAYAKE: When Statistics Canada constructs the GDP, the way it works is we're looking at the value of economic activity, the incremental economic activity. So the way it works is, essentially, you take your output, which is kind of like your spending, and you subtract all of your inputs. That's what Statistics Canada does, and the reason they do that is there are a couple of key principles. They want to avoid double counting, so as you know, you don't want to release a GDP for a country or a province which has everything double or triple counted. So what they try to do is make sure that on

an industry basis, they've assigned the direct activity to that industry. Essentially, the way they do that is they take the output and subtract all of the inputs - the costs associated with that input.

MR. FARRELL: Okay, but if I have a - we'll use an example here. If I have a manufacturing business in Amherst and I'm the owner of the business and I make widgets - which is an economic term that I did learn in Grade 11 - and I export those outside of the country, so I pay wages to my workers, I purchase the means of production within my community, so I have production spending in my community, correct?

MS. KUMARANAYAKE: Yes.

MR. FARRELL: And the film industry, in fact, does some of that with help from government. But when I take my widget and ship it to the United States or to Asia, then that money comes back into my community, correct, and that's a further contribution to the economy?

MS. KUMARANAYAKE: Yes.

MR. FARRELL: And it's not repetition to count both of those things, really, is it?

MS. KUMARANAYAKE: So the way it works, if you go back to Grade 11, it's $C + G + I + X - \text{imports}$. It's consumption plus government plus investment plus exports minus imports. The value of your export is counted, yes.

MR. FARRELL: So in the film business then, do we get the export value back? Does the money from the sale of the product come back into the province?

MS. KUMARANAYAKE: I don't have the export figures in terms that would relate to revenues earned from productions and distributions and agreements. I don't have that information. I know that when we look at our provincial exports, it's not one of our significant list of exports.

MR. FARRELL: Okay. Perhaps I'll shift the attention on that particular question. If the folks from NSBI were listening to that, do you have the answer to that, Mr. Queripel?

MR. MIKE QUERIPEL: No, we don't. Under the new guidelines, there are two streams of production. One is what we call Nova Scotia ownership and control production. In those cases, there would be beneficial ownership in that production that would come back to the province, potentially. The other stream would be what we call a service production, in which case it's not owned by a Nova Scotia entity, and I don't have a breakdown of . . .

MR. FARRELL: So that's something that we are going to track more carefully in the future?

MR. QUERIPEL: We certainly would know, going forward, what productions qualify under what stream.

MR. FARRELL: All right. Mr. McLellan, I just want to get back to something that you said in your opening remarks, sir. During the current fiscal year, there's going to be \$39.5 million spent on the combination of the Film Tax Credit and the new program.

MR. GEORGE MCLELLAN: Mr. Chairman, that was my understanding of it that that's on the Film Industry Tax Credit side - quite a skewing from previous years, but we expected that a lot of that was because of the anticipation in the industry that the credit was falling away.

MR. FARRELL: During that fiscal period, do you know what the total program funding for business expenditures for the province was or will be during the same fiscal period?

MR. GEORGE MCLELLAN: I'm about to. It's \$286 million.

MR. FARRELL: So that would be - I'm just going to use my Grade 11 math - 15 per cent of the total program funding for the province?

MR. GEORGE MCLELLAN: Yes - I don't need the accountant for that one.

MR. FARRELL: I could use my calculator, but okay.

I just want to shift over to NSBI for a second, for Ms. Broten. In this fiscal period, your total program funding is approximately \$24.5 million?

MS. BROTEN: Yes, it is.

MR. FARRELL: Okay, so could you give us the breakdown of each of the items that are included under that funding?

MS. BROTEN: Sure. We have a number of different programs. In the Export Growth Program, we have an envelope of \$1 million and in the Small Business Development Program, \$500,000. The 2016-17 allocation for the film fund, as we've discussed, is \$10 million. The upcoming creative industries fund, which is currently under development, is \$2 million. The Strategic Investment Fund, which is the fund from which payroll rebates come, is about \$13 million.

MR. FARRELL: I have a chart here that shows the Film and Television Production Incentive Fund at \$10 million.

MS. BROTEN: Yes.

MR. FARRELL: And you had mentioned another \$2 million. Where does that fit in?

MS. BROTON: So the \$10 million for the film fund is a 2016-17 allocation. So when we talk about the applications that we've received and approved now, that's against that 2016-17 budget. We're designing the creative industries fund right now, we've just concluded our consultations, and that will be a new fund which was established in the April 9th budget, which will be a \$2 million fund.

MR. FARRELL: So the total amount then attributed to film and creative industries will be \$12 million?

MS. BROTON: Yes, \$12 million, exclusive to those industries, but as I indicated in an answer to an earlier question, we have accepted and approved of claims against the Export Growth Program and the Small Business Development Program for those industries as well, at this point in time.

MR. FARRELL: Okay, so of the \$24.5 million in your program budget, how much of that is going to go to film and creative industries?

MS. BROTON: Exclusively, \$12 million in the 2016-17 year will be available for film and creative industries in the Film and Television Production Incentive Fund and the Creative Industries Fund, which are eligible only for those industries.

MR. FARRELL: So that's approximately half of your total budget?

MS. BROTON: In terms of our funding allocations, that's looking at our funds. We also have investments that we make in terms of trade missions and other things that are not included in a program funding envelope.

MR. FARRELL: Sure, so that's your program funding, that's the amount that NSBI administers that's available to all of the economic sectors across the province.

MS. BROTON: In terms of our programs, yes.

MR. FARRELL: And approximately half of that is going to go to film and creative industries?

MS. BROTON: Certainly a little bit under half.

MR. FARRELL: Just slightly under half for an industry that contributes 0.014 per cent of the GDP of the province.

MS. BROTON: As I said, we are the administrator of the funds. We have budgeted envelopes that we administer to and in the 2016-17 year we're very pleased that we will

have available for the film and television industry and the creative industries an envelope of \$12 million to be able to support those industries, in addition to making our other programs, our other services that we have available to all sectors available to that industry as well.

MR. FARRELL: Thank you.

MR. CHAIRMAN: We will now move to Ms. Lohnes-Croft.

MS. SUZANNE LOHNES-CROFT: Thank you for being here today. I'm getting some clarification on some of these points. I want to talk to Ms. Broten about the period of transition. I agree that it was a challenging time for everyone.

Could I have clarification - you said there was an issue with getting details, due to privacy issues. Can you expand on that, please? You said it but I didn't quite catch what it referred to.

MS. BROTEN: Sure, thank you. I'll start and, if I can, I'll let Mr. Queripel also respond because he and his team lived that experience. Obviously at the time of the determination that there would be a transition in terms of the Film Tax Credit, there was also a decision made that Film and Creative would no longer exist, the Film and Creative structure, Film and Creative Industries Nova Scotia.

Files and documents with respect to tax credits were housed within that organization and we did not have immediate access to be able to answer with specificity the questions that were coming our way with respect to, where is my Film Tax Credit; I've put in an application, where is it sitting? We didn't have a right to have the information that was housed within Film and Creative Industries Nova Scotia, we were a different legal entity and that information had been provided to Film and Creative Industries Nova Scotia.

If I can, I'll ask Mike to walk you through a little bit of the process that we had to undertake, to be able to answer, in a way that we wanted to, the questions that were coming to us from applicants.

MR. CHAIRMAN: Mr. Queripel.

MR. QUERIPEL: In addition to establishing the new fund and everything that goes along with that, there were certain programs that were transitioned to NSBI from Film and Creative Industries. One of those was the assistance that Film and Creative Industries provided to the Department of Finance and Treasury Board on the vetting of Film Tax Credit applications. Obviously there were a number of Film and Creative Industries applications at the time that were in process, and obviously people were very concerned about where those stood.

We also took over the administration of the equity and development loan programs that were provided through Film and Creative Industries as well. Again, it was a situation where folks were looking for disbursements against some of those funds, they were looking for the status of applications they had made. So very quickly we had to wrap our heads around that and answer inquiries around that. I think we answered about 240 inquiries during that period. But we were eventually able to establish that we did have the proper authority to administer those files and respond to those inquiries, and did so as soon as we possibly could.

MS. LOHNES-CROFT: So you didn't have to recreate - they finally got transferred to you?

MR. QUERPEL: Well, we had to recreate the contact list and whatnot.

MS. LOHNES-CROFT: And did the people have to go through the application process again?

MR. QUERPEL: No, they did not reapply. The province honoured agreements that had been completed prior to the budget.

MS. LOHNES-CROFT: So approximately how long did that take to get resolved?

MR. QUERPEL: I would say probably two weeks following the announcement of the budget we were in a position where we could start to provide some feedback on the status of applications.

MS. LOHNES-CROFT: So by the end of April you were on track?

MR. QUERPEL: Yes.

MS. LOHNES-CROFT: Under the new Film and Television Production Incentive Fund, what activity is actually happening? What is going on?

MR. QUERPEL: Well, the fund was opened July 2nd; we were accepting applications under the fund. We have received 14 applications to date and we've approved nine of them, representing total budgets of about \$7 million. The productions we've announced represent TV series, feature films, and documentaries; we're seeing a variety of types of productions coming under it. We're looking forward to working with industry and Screen Nova Scotia to increase activity under the fund.

MS. LOHNES-CROFT: Just who is eligible for these funds?

MR. QUERPEL: To be eligible for the fund, it's open for Nova Scotia corporations that are in the business of film production, in a film production business. There are two streams under the fund, as I mentioned before. There's what we call an indigenous stream

or co-production stream, and that's for productions where there is at least 50 per cent ownership and control of a Nova Scotia corporation. Stream two is what we would refer to as our service stream where there's not 50 per cent ownership of the production.

MR. CHAIRMAN: Order. Time has expired. We'll move to Mr. Houston for 13 minutes.

MR. HOUSTON: I've been listening to the discussion and my sense is that the people on your side today are kind of distancing themselves and saying well, the fund is the fund, I have no input or say over what that is but I'm happy to tell you how I deal with the mechanics of it. That's my sense, and we'll come to that. Then at the same time we had my colleague, the member for Cumberland North asking questions to, I'm going to say, minimize the value of the industry, I think, and this is not an industry that I would minimize.

It does feel overall like the effort from the government is to devalue the industry, so I'm curious as to what is being done internally to see if that's what's happening. People in the industry will say that this was a \$130 million industry, \$100 million - they have a number, it's a big number, whatever it is. We can argue over whether it's \$130 million, \$120 million, \$100 million, or whatever - we can argue about that. But I think the sense is that whatever it was, it's dramatically lower now.

That's my sense from talking to people in the industry. That's my sense from the stories I hear about people who aren't working or people who are moving away, but the sense is definitely that the industry is much smaller today than it was. What specifically is the Department of Finance and Treasury Board doing to either confirm that or deny that?

MR. GEORGE MCLELLAN: Mr. Chairman, I'd just comment that again, I'm sorry if you get that impression, feel like we're backing away. I'm fully prepared to speak to my responsibilities under my mandate and my belief as to how I manage the budgeted amount. I've done that and I'd be happy to elaborate, if you wish.

Again, with regard to evaluating on an ongoing basis, as you probably are aware, Mr. Houston, we count on Lilani and her team to do a lot of that stuff, and as I mentioned earlier, it's somewhat dependent on the flow of information we get from the federal economics. There, again, I refer to income tax and Statistics Canada and our ability to analyze that.

One of the indications you can get is the take-up on the existing fund clearly and then you can look at some other measures, I suspect. Right now we're not at that point and again, we probably will be having a discussion with the industry to get their input directly. So other than that, unless Lilani has something to add . . .

MR. HOUSTON: I guess what I would ask is, do you have a sense of whether the change is successful? Was it a good change for Nova Scotia?

MR. GEORGE MCLELLAN: Mr. Chairman and Mr. Houston, I'd say it was a good change for Nova Scotia. I answer that question because the question was not is it a good change for the industry, and there's a difference.

MR. HOUSTON: I think that comes back to exactly where I just started, just that the inference in that devalues the industry. That tells me that a smaller film industry is, in the eyes of the department, good for Nova Scotia.

MR. GEORGE MCLELLAN: I'm kind of reflecting on my words to see what of those words collectively or independently would have given you that impression. My hope would be that this industry is as vibrant as it ever was and it becomes as vibrant as it ever was. The issue . . .

MR. HOUSTON: It's not worth the investment that was being made in it?

MR. GEORGE MCLELLAN: Again, to go back to the comment, to your original question - we're now kind of on another one - but is it good for Nova Scotia? Looking at the capacity we have to provide fundamental services, basic services to Nova Scotians, one economic relationship is so out of context and proportion with the others, does that not deserve a look and reconsideration? But on the same token, does it not also attract a lot of attention? Certainly it does simply because there is going to be followed - when you have economics that are built successively over many years, as the latitude under this credit rose over many years to the point where it was where it was, you get this kind of investment or credit or underwriting of an industrial sector like this. Then when you amend that, take some of it away, no question there's going to be an impact.

The challenge now for the industry is what do they do next - do they adjust? Do they refocus? Do they come back? That's our hope, that's our belief.

MR. HOUSTON: Okay, I'm kind of having a hard time maybe articulating myself, and I apologize for that. Let's think about last year, \$25 million was - let's call that an investment in the province. I've heard that referred to as the expense, the costs, lots of ways to describe that, but I believe it was an investment because I believe that \$25 million actually had a return. Do you believe that the \$25 million had a return or was it purely just if we spend less than \$25 million we are better off, which would imply that there's no return on that investment?

I believe there was a return, do you believe there was a return?

MR. GEORGE MCLELLAN: I believe there was a return but I think it was out of proportion . . .

MR. HOUSTON: Compared to what, sir?

MR. GEORGE MCLELLAN: Disproportionate to other industries, and I do not believe it was a good return when we put out \$24 million and got \$6 million back. The intention is to stimulate the economy so we can get return back to reinvest in services. We put out \$24 million and we got \$6 million back, that's not a good return.

MR. HOUSTON: That was the assessment of the department, the \$25 million . . .

MR. GEORGE MCLELLAN: It's not as pure as that because for another meeting we can have a long conversation about the fact that a lot of these don't generate the appropriate return, thus Ms. Broten's comments on tax credits in general.

MR. HOUSTON: So you don't accept that this was a \$130 million industry in the province?

MR. GEORGE MCLELLAN: I accept that if you want to take it so broadly as to include all aspects of media - CBC, other media, different aspects of it than what Statistics Canada has defined it as - then I don't question their number. It's not the number we utilize for analysis.

MR. HOUSTON: Is that an analysis that you'd be prepared to table, the \$6 million?

MS. KUMARANAYAKE: We actually provided it to Public Accounts in April but we can table it again.

MR. HOUSTON: Then my question would be, is that an analysis that is continually looked at? When is the next time that will be looked at? We're on different pages. I definitely feel like there has been a government decision that has cost the province jobs, cost the province productivity - I think those are the types of issues that matter. There is no job in this province that has no value to me, or is an anomaly, or is irrelevant. They're all important and this is an industry that I believe was important, and I guess we're going to have to disagree on how important it was. I think it was pretty important and maybe the department thinks it wasn't and that there is more important industries.

I think when you look at the uptake on the fund - I believe I'm hearing back that since the fund is not oversubscribed, it's only at \$1.6 million out of \$10 million - maybe well, we're fine, there's plenty of capital there. But I can't stress enough my belief that the reason that it's not fully subscribed is because the entire system has been broken. With one government decision to eliminate the development fund, eliminate the equity fund, eliminate the marketing promotion funds, cap this fund - the system has been broken and the industry has been made less competitive.

Now, it's my assessment that by making that industry less competitive, the government has made Nova Scotia less competitive. It seems to be the department's assessment that by making this industry less competitive, Nova Scotia is better off and I have a really hard time accepting that. Maybe if you can provide something back to me

that says well, this is what we're looking at today, this is why we feel we're better off. Is there anything you can offer me today that might go some ways to change my mind that we are better off? What evidence does the department have that it could provide today that says well, Mr. Houston, because of this, this, and this, we're better off as a province?

MR. GEORGE MCLELLAN: I can try. There's always that. Here I go. It's tough to get a read, first of all, on what you suggest to be the fallout from this point. This will play itself out and I think as we mentioned, some of our analysis is based upon getting that income tax return back and that's why we talk about 13/14 as kind of our best guess. It's because the production takes a little while as a tax credit and then it takes a little while to find its way through your income tax return; most of which frankly aren't filed in Nova Scotia as corporations and I'm sure you've heard that in other discussions. This will play itself out a bit but there is also some skewing as I mentioned, simply because of what we understand to have been, when you look at 39 before the start of the fund, then there's a bit of a stampede to get things in under the tax credit regime while it existed, clearly. So, if you look at the total volume, how much of it is disappointment under the fund and how much of it was volume that was actually absorbed under a more favourable regime, it's tough to get that read.

In terms of convincing you that it's a good thing, again, I could only go back to the context, not necessarily of the industry and the adjustment and the correction that may or may not be required there - that's playing itself out - but in terms of the fact that we have controllable item - and I'm sorry to be referring to this. I know you look at it rightly, as jobs and careers, families, et cetera, and I hear this, but we also look at jobs and careers and families in other sectors that have been paying for this as it has been unpredictably growing as an implication. Then I would refer to its context as a pure proper return because these are the taxpayers money flowing through us back out to stimulate a better return to invest in services.

So, separate and apart on a broader context I guess I'd say that that's my best attempt to try to convince you.

MR. HOUSTON: Okay, I guess I have only one minute left so I'd like to leave with a question posed to both the deputy minister and Ms. Broten, have either one of you made any recommendations to the government as to how to improve the effectiveness of the fund as it sits today? I've heard things like you could easily make it a three-year fund, there are all kinds of options that I've heard out there. Has the deputy minister made any recommendation as to how to improve the fund? Then to Mr. Broten, has she made any recommendation on how to improve the fund?

MR. GEORGE MCLELLAN: If I may, my discussions kind of came to an end - the discussions with the industry which I was involved in - when we brought it from what was stated in the budget to the point where it is under examination today. I have really not had direct discussions with the industry since, nor have I been involved in anything other than early considerations of it as a budget item in the upcoming year, Mr. Houston.

MR. CHAIRMAN: Ms. Broten, you have about 30 seconds.

MS. BROTEN: As indicated, we're administering under the guidelines and the budget allocation that we've received. We are in regular contact with the industry. We share that feedback with the Department of Business, and we are in our first year. Again, my message to the industry is, we're open for business, we want to hear from you, and we have lots of capacity to see productions proceed in Nova Scotia.

MR. CHAIRMAN: Order, we'll now move to the NDP. Ms. Mancini.

MS. MANCINI: We just learned that The Code, a series produced by the same producers of Haven, were wanting to film in Nova Scotia but as soon as the Film Tax Credit was eliminated, they left and they took the series to Hamilton, where it's currently shooting - a \$20 million series with a projected \$14.5 million that would have stayed in Nova Scotia.

Bill Niven said at the Economic Development Committee that as long as there's a cap, we're not going to get the orders because these projects are too big. Now I know the deputy minister said that as far as he was concerned he would do nothing about the cap, and I think I read in that that it's not your place or that you are not the final decision maker.

Surely in the face of this type of economic loss, will you not consider at least making a recommendation that the cap be lifted, when we see these stark losses that we are not getting, that are going out of province?

MR. GEORGE MCLELLAN: Again, in relative terms, Ms. Mancini, if you look at the cap here in the context of what Alberta has as a total fund and things and relative population - certainly their ability to be a better economy sometimes than ours, although they are coming our way it seems lately - it's not out of whack. The disproportion seems to be relative to the - and we've created this problem by kind of elevating it to the point where 35 cents on every dollar, up to a certain amount as it grew, was really where we began this journey. So is it the absolute to look at the proportion that there was as the right measure or is it more appropriate to look at what is in the context of everybody else and their ability to gain benefit or incentive from the province, put it in that context?

MS. MANCINI: But is it not true, though, when you were making the decisions that there was a lot of controversy about what was referred to as what the multiplier effect was in the province, what was the impact of the film industry, and the film industry was in the process of getting a report done by PricewaterhouseCoopers and they asked you to stop and wait until they had that report, it would be out within a few months? It could have maybe given more insight into that impact on the type of revenue that we are getting from these projects, would it not?

MR. GEORGE MCLELLAN: Ms. Mancini, during the discussions that we had with them we reviewed much of the information and I think we would agree to disagree in

terms of looking at whether it's a - a multiplier would take you to a 120 or a 66, or whatever it was we were, basically about half, and a lot of it was the difference.

I guess I actually kind of did not question their number in the sense that when you are talking about the resource available to an industry - a camera person at the CBC which they would include, although was not directly employed in the industry in productions here, still is a resource available to the industry potentially.

MS. MANCINI: Again, that is a way of doing an analysis, but there are other ways to do the analysis, and I would suggest that we are seeing that in hard-core reality in our Nova Scotia community. The Take One Atlantic fleet is a fleet of trucks and trailers. They're telling us that they have not had a rental - they have 30 trailers and trucks that they used in, I think it was with Haven - oh, with The Healer - they have not a single rental. Their activity is down 100 per cent. That's pretty glaring, wouldn't you suggest?

MR. GEORGE MCLELLAN: I wouldn't disagree. Go back to my context for consideration. The blueberry industry never had the ability to resource itself to hire trucks like this. The fishery business didn't. The wineries didn't. I recognize the context of contraction, and the difficulty, I do. I'm coming from a different perspective, and I apologize if I'm not being clear enough on that, but it is the area for our different perspective.

MS. MANCINI: You indicated before, I believe, that there were no job targets for this sector.

MR. GEORGE MCLELLAN: Not that I recollect, Ms. Mancini, but I'm fully capable of that.

MS. MANCINI: Are there export targets for this industry?

MR. GEORGE MCLELLAN: I have to ask somebody else.

MS. BROTON: We don't have industry-specific export breakdown. We look to and have embedded in our 2015-16 business plan an embracing of the targets coming out of the One Nova Scotia Coalition to see a doubling, a 50 per cent increase of exports and new exporters over the next 10 years, and that is multi-sector wide. Certainly we have focused on a number of sectors in terms of ICT, Ocean Advantage, and others which are consistent with the advice received from the One Nova Scotia Coalition.

MS. MAUREEN MACDONALD: I want to just go back to the point my colleague made about the business that has the trucks, and you indicate that no other industry has this. Is this not an industry that is somewhat different than some of the other industries? And each industry needs to be looked at independently. I mean, you can't grow blueberries just anywhere.

What I'm hearing you say is that this sector is not a priority for this government in this province; this is a sector that can happen somewhere else. Filming can happen anywhere, unlike some of the other sectors that we're putting priority on - oceans, exports of blueberries, exports of lobster from our fishery - but this industry can wither on the vine and contract.

My fear is that's what we're seeing, what we're witnessing, and that's the message I'm hearing from as close to the top of our provincial government as we can get, financially and in terms of economic development. That's what I'm hearing. Am I wrong?

MR. MCLELLAN: If your last comment was true, and I hope it is, then we're going to have a better budget than what it's looking like - how close I am to being able to have this ability. I can't tell what the priorities are. I can tell you the context for value, and I've tried as best I can.

I don't mean to be trite - I apologize if that's the case - but it is a double-edged sword when you talk about blueberries can only be grown in Nova Scotia. That's a fact, but it's also true that some of these industries are figuratively and literally rooted in Nova Scotia, so the value chain is easy to track. I'm not using that as anything disparaging on the film industry.

I do believe that the film industry - to your question originally, before you spoke about what you are hearing, which would not be what you're hearing from me, I do recognize that each industry is different and in this case this industry is indeed different. There has been historically in Canada and elsewhere a bit of a flight to the bottom, in terms of everybody's ability to compete for what is really a neat industry and it brings a lot of value culturally and societally, and I think that's what you are trying to get at - as an industry that it brings to us it's an intangible that has real value.

In terms of funding that, I think a lot of provinces would agree that we've gotten too competitive and that's gotten out of proportion. I think we have shown maybe, in the eyes of some, at least there and other governments, some courage in terms of trying to bring this into proportion. I hope it's the start of an adjustment broadly that will help the industry in a way by being able to see us more on a level playing field as a place that is a great place to film, with really talented resourceful people, a lot of scenic beauty, and potential for this industry.

MS. BROTON: Certainly as in the privileged role to lead Nova Scotia Business Incorporated, which plays a key role in business development in the province, it is an important industry to us. We are actively engaged with the industry, we're looking for ways to come out of this transition year in a successful fashion, and \$10 million of funds available to us to support the industry is reflective of the importance of that industry - \$2 million available to us in 2016-17 for the Creative Industries Fund is reflective of the importance of that industry right across the province, new funding available.

We embrace our new role; we've acknowledged that it has been a bumpy transition process but at the same time we look to work collectively with the industry and all those who care about the industry in the months and years ahead. We have this runway until 2020-21 committed with the new fund, which I think does provide a certainty for the industry that we want them and we want them here in the long term.

MS. MACDONALD: But with all due respect, you have no job targets for the sector, you have no export targets for the sector, and I don't think you have any investment targets for the sector. You are valuing the sector at \$6 million when, in the past, out of NSBI, the sector was valued at about \$130 million, the last time any credible economic analysis was done - that's a significant change in information and message.

MS. BROTEN: It's important, NSBI has only taken a responsibility for this sector as of the budget so we can't speak to anything with respect to Film and Creative. I think you're referring to the Nordicity report perhaps that came out a number of years ago. We don't bear judgment with respect to the analysis in the past or the dispute that perhaps might be existing with respect to the industry. What we're doing, and our message to the industry is we have \$10 million available every year to fund this industry - we have lots of capacity; we have a commitment from the province through 2020-21; we want to work with you; we embrace this industry. Come and work with Mike and his team and if they are looking for certainty, please ask us.

MR. CHAIRMAN: Order, thank you. That period of questioning has expired. We'll move to Mr. Rankin and the Liberals for 13 minutes.

MR. IAIN RANKIN: I think it's important to state that we all support the creative economy, all support good jobs, it's just really a question of at what cost. I especially appreciate the point, in the opening remarks, about we're borrowing to do this, so I think taxpayers have to realize that for every dollar investment, that is borrowed money and even the services we provide that are very important in our hospitals and our schools is borrowed today, as we are in a deficit.

I was particularly interested in the comment about the most corporations that are involved that have received this tax credit file in other provinces. I find that very relevant when we're talking about the actual return on investment. Is that why the provincial Treasury only received roughly \$6 million in the analysis? And I recognize the value of the industry - everybody can figure out different ways of calculating what that value is, multipliers, revenue spent in different stores, in different industries and such. Do you have the number of how many corporations that were developing films were paying taxes in other industries, and if you don't have that, that's fine, maybe you can have an estimation on that, but also does the new fund that's being administered now, does that address some of those issues with corporations filing in other provinces?

MR. GEORGE MCLELLAN: Mr. Chairman, I will just begin and then turn it over to Lilani on the specific details there. We are not undervaluing the fund. When I mentioned

that \$6 million, that's the amount of income tax we tracked last reliable year. That's different than the total production value, which was also used as a comparator as to how others value it - two different contexts. With regard to your specific details, I'll ask Lilani to supply those.

MS. KUMARANAYAKE: What we typically have observed in the film industries, they are single-purpose companies that are established for each production, so as part of our analysis we looked at whether there was any tax paid. What we found was there was less than 1 per cent tax paid relative to the payout that we were making, so it's across a number of years. So for 99 per cent of the credit there was no, because it's a refundable credit you don't actually pay tax.

I just want to clarify one number that I gave previously which was the GDP, it's 0.14 per cent. When I heard it back I think there was another zero, but it's 0.14 per cent.

MR. RANKIN: My question at the end of that, and I recognize that employees who are working in the industry, they paid income tax, so there was definitely money coming in through the provincial Treasury, but the question on that was, does the new fund address that? But I'll also bring up, for the sake of time, does the new fund address how inequitable the last fund was in terms of the proportion of people who are getting the wage subsidy? We do know that it was around 10 per cent of people were receiving roughly three quarters - I can't remember the exact figures but in terms of the equity of the people in the front lines, the actors, the local people on the cameras, I just want to understand how inequitable it was and then if there was something that could be of improvement with the new fund.

MR. GEORGE MCLELLAN: Yes, the new fund, now it's Ms. Broten's area. The intention was and agreed with the industry that we would put a total salary cap on participants because it was somewhat disproportionate. The other thing was it's a production cost now rather than just straight labour. There was a concern, and somewhat recognized, that labour, some of it was portable, in and out, and actually the labour eligible didn't actually file taxes here. The other thing is that what this does in terms of total production cost value, it takes into account some of those adjacencies that we were discussing in terms of that multiple, the additional people who are benefiting from the industry, caterers, hairdressers - bad subject for me obviously, but those kinds of adjacencies are also taken into the production cost.

MR. RANKIN: As the percentage of the subsidy in the old tax credit grew, time and time again, did the market share grow at all - in terms of the national market share?

MR. GEORGE MCLELLAN: A lot of the difficulties, again, in all this discussion, there is no question there's a relationship to how well the industry does here and how much we underwrite it, but there are other factors such as the Canadian dollar, for instance, which is pretty significant.

When you look over year to year as to how the total take-up on the tax credit over past years evolved, it did jump around a little bit. Interestingly enough, even as our concession under the credit rose over the years, the proportion relative to the Canadian industry didn't change that much; as a matter of fact it might be down a little now from what it was 10 years ago, But, again, that's because, as I mentioned earlier, all the provinces have kind of tried to outdo each other a bit in this building up of the credit.

MR. RANKIN: Okay, thank you.

MR. CHAIRMAN: We'll move to Mr. Stroink.

MR. JOACHIM STROINK: Thank you very much for coming today and for the discussions that are happening.

My question to you is kind of going back to the \$10 million fund. Can you walk us through the process of how quick these applications are being processed? My understanding is that it's going much quicker, and this is kind of leading into a follow-up question.

MR. CHAIRMAN: Ms. Broten.

MS. BROTEN: Great, I'll ask Mike to do that.

MR. CHAIRMAN: Mr. Queripel.

MR. QUERIPEL: There's a two-step process; there's a municipal application after which we, provided it is an eligible application, there's available funding, we issue what is called "a letter of intent" and at that point the company or the producer would need to go out and raise the rest of the financing. It usually takes about 60 days, after which we issue the actual commitment letter.

The point of time between when we initially receive a completed application and we issue that letter of intent is currently tracking at 21 days - that's 21 calendar days.

MR. STROINK: And this is much faster than the old process?

MR. QUERIPEL: I can't really speak to the speed at which Part A applications and the tax credit were issued. Of course we're referring to the initial letter of intent to confirm availability of funding. When you get into the actual disbursement of funds, which occurs after the production is finished, that's another time frame altogether and is dependent on the length of the production and complexity of the audit and whatnot.

MR. STROINK: My follow-up question to that is based on the speed of the applications going through, is there a greater risk of the funds being drawn, the \$10 million being drawn down much quicker throughout the year?

MR. QUERPEL: Well, I think that in terms of the ability to turn around applications, that really gets to our ability to process the application and complete our due diligence in a timely manner. I think in terms of the drawdown of the fund that would be dependent on overall demand for the fund. I don't think that increasing the speed of application is necessarily going to impact the drawdown, the demand on the fund.

MR. CHAIRMAN: Ms. Miller, you have about four minutes.

MS. MARGARET MILLER: Thank you, and thank you for coming in today, it's certainly appreciated; you are answering a lot of questions. I'm still concerned and, as my colleague, I have the same line of questioning about our debt. I'm looking at the figure again that we have, a \$6 million return on the \$24 million investment in the industry. I heard somewhere \$200 million, I believe - was that over 10 years or over a longer time frame? I'm seeing a "yes" on that.

So that leaves, if you are using those figures - I'm back to the Grade 11 math here, and this may be only Grade 3 math - that leaves \$150 million and I assume that is being added to our deficit as a province. When the deputy minister was talking about our fiscal responsibility, that certainly concerns me. People come to my office almost every day needing help, you know, rural Nova Scotia and it's probably no different than the city, they need basic needs - a place to live, they need food, they need health care - or they have road issues in Hants East as well.

The majority of Nova Scotians get it, they get the whole fact of the deficit, they get that we need to keep our house in order, and that we can't be spending more than we are earning. Some people tend to think it's a bottomless pit, that there's no end to where the money comes from. I don't know if they think we have a printing press in the bottom of Province House, but I've been down there and there's no printing press down there.

The money is coming from the taxpayers to pay for that and the taxpayers are you and me and every person who is out there. We are borrowing, and the cost of our borrowing I believe - and maybe you can address this, what is the cost of our borrowing every year, and where does that fall into our expenditures as a province?

MR. GEORGE MCLELLAN: Mr. Chairman, to Ms. Miller, just to confirm, my apologies for nodding, but the \$200 million was the correct number for the record that I mentioned earlier in my remarks.

Right now we pay \$850 million a year to service our debt. Significantly around, I guess with running these deficits it hasn't really gone down. I think in an earlier visit here we had a discussion I think with regard to one year, but it's still growing and it grows because of the deficit.

It also grows because of the capital program, which no one has even discussed about a pay-as-you-go approach, which for some of the things is probably appropriate. We've

got a long hill to climb, and it took us a long time to get there; it takes a long time to get back but these are the tough things. Everything is so important that it's tough to consider anything to haul back in and retrench.

It's not enjoyable for anybody to have this conversation, but it does require decisions to be made and that's the difficult part that leads us to these discussions. They are unavoidable because everybody prior to us has made the decision not to do it, and now we are confronted with nowhere to go - we're out of runway.

These are the things we have to discuss. Whether it's right or wrong is a matter of debate, but the fact that these are the discussions, this is the tenor of the debate is appropriate and in the individual outcome, whether it's a Film Tax Credit or anything else, to try and justify it as appropriate is difficult, but possible. But on the overall context that these things have to be done is undeniable.

MR. CHAIRMAN: Order. Mr. McLellan, we do have maybe about a minute left for both of you to give some closing comments. You are welcome to continue on there for a few more seconds, if you wish.

MR. GEORGE MCLELLAN: I don't think anybody really wants that. Mr. Chairman, thanks very much. I'd also like to thank the members of the committee for the invitation to talk about the Film Tax Credit. As you can imagine, we were all anxious to get here.

Hopefully we've given the members a better understanding of the credit, and its replacement program, the fund. I think we did commit to get back on one item on the calculation on tax to Mr. Houston. We will supply that information again and I am happy to discuss it.

If there are any follow-up questions, I mentioned I know there's some frustration with regard to some of these questions either being cut off, our answers cut off or truncated and that they may not have been satisfactory, so we'd be happy to answer them on another occasion, informally or whatever. With that, I thank you and I'll turn it over to Laurel for her comments. Thank you.

MR. CHAIRMAN: Ms. Broten, we have just a few seconds. We do have to finish at 10:45 a.m. I'm going to ask the members if we can continue for a couple of business items. I'll give you just 30 seconds, if you can.

MS. BROTEN: Let me simply say we at NSBI are embracing our new role as administrator of the film fund. We have capacity within the fund, we have certainty within the fund that that is committed through to 2020-21. We are trying to do our best to give certainty to the industry with letters of intent coming out within 21 days.

We are open for business at NSBI and we are open to answer specific industry questions, and we look forward to working with you.

MR. CHAIRMAN: Thank you, Ms. Broten, and thank you to our guests for being with us today and answering all those questions.

Do I have agreement from the committee members to extend our time by just a few minutes to cover a couple of items?

Is it agreed?

Okay, we see agreement, so the items are as follows: We have a request from the Auditor General's Office. We have an upcoming Spring follow-up report. These follow-up reports are very important, they follow up with departments showing the adherence to past recommendations that departments have accepted; they provide an update on how many were actually put into action and how many were not.

The question is this, we have two options, when the Auditor General's Office comes in to present this follow-up report, we could have a briefing for one hour before the meeting or we could have a meeting a week in advance for two hours.

One point that I will throw in here for your consideration is oftentimes when we do ask the Auditor General questions about these reports, they are perhaps best directed to departments. I was speaking with Mr. Spicer this morning, he indicated that as well. So, I want you to think about that. So, the question before you is, would you like a one-hour briefing before the actual meeting, immediately before, or would you like a two-hour briefing a week before the meeting with the Auditor General? Any comments?

I'm hearing one hour is okay on the day of the meeting.

Do we have agreement?

We have agreement.

Our clerk will make note of that. Thank you for that.

The other item, and Ms. MacDonald I might ask you to comment first. There was a request to the Department of Business to discuss the Jobs Fund and the request was made in early November following up on a meeting from October 28th. The request was during the questioning from Ms. MacDonald to the department. The department responded that yes, they can provide the information, but they offered two choices. One, to wait for an annual report, and two, the information could be compiled but at a cost estimated to be between \$30,000 and \$50,000.

Ms. MacDonald, would you like to comment?

MS. MACDONALD: I've reviewed the correspondence and what I would say is that I'm prepared to wait for the annual report and see to what extent the information that was requested is actually reflected in that report. Then we could revisit our request if, in fact, the report fails to address some of the concerns that were raised.

MR. CHAIRMAN: Okay. Are there any other comments? With that, it seems to be a very good solution so our clerk will take note of that. We will wait for the report and certainly, any member, if they have questions that aren't answered by the information provided in the report, can request more information from the department. We will proceed on that.

Our next meeting is January 13th with the Department of Health and Wellness and also the Nova Scotia Health Authority to discuss funding of mental health services and programs and the Mental Health and Addictions Strategy. There will also be an in camera briefing following that meeting on Chapter 2 of the June 2015 Auditor General's Report.

With that, we have no further business.

I would like to wish everyone a Merry Christmas and Happy New Year and hope everybody enjoys the holiday safely.

Thank you, this meeting is now adjourned.

[The committee adjourned at 10:48 a.m.]