

HANSARD

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COMMITTEE

ON

PUBLIC ACCOUNTS

Wednesday, April 18, 2018

Legislative Chamber

**Economic Development and Employment Trends
in the Nova Scotia Film Industry**

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Public Accounts Committee

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Mr. Gordon Wilson (Vice-Chairman)
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Mr. Brendan Maguire
Mr. Hugh MacKay
Mr. Tim Houston
Hon. David Wilson
Ms. Lisa Roberts

In Attendance:

Ms. Kim Langille
Legislative Committee Clerk

Mr. Gordon Hebb,
Chief Legislative Counsel

Ms. Nicole Arsenault,
Assistant Clerk, Office of the Speaker

Mr. Terry Spicer,
Deputy Auditor General

WITNESSES

Department of Business

Mr. Bernie Miller,
Deputy Minister

Ms. Raye Lemke,
Strategist

Ms. Linda Wood,
Manager - Film & Television Incentives,
Nova Scotia Business Inc.



House of Assembly
Nova Scotia

HALIFAX, WEDNESDAY, APRIL 18, 2018

STANDING COMMITTEE ON PUBLIC ACCOUNTS

9:00 A.M.

CHAIRMAN

Mr. Allan MacMaster

VICE-CHAIRMAN

Mr. Gordon Wilson

MR. CHAIRMAN: Order. I call this meeting of the Public Accounts Committee to Order. I would like to remind everyone to place their phones on silent, so we do not have interruptions today.

We'll start with introductions, beginning with Mr. MacKay.

[The committee members introduced themselves.]

MR. CHAIRMAN: This morning we have the Department of Business with us as a witness. We are discussing economic development and employment trends in the Nova Scotia film industry.

I'd like to give our witnesses an opportunity to introduce themselves. We will begin on my right.

[The witnesses introduced themselves.]

MR. CHAIRMAN: Thank you very much. Mr. Miller, you may proceed with opening comments.

MR. BERNIE MILLER: Thank you. I appreciate the opportunity to be here.

The subject of today's meeting is economic development and employment trends in Nova Scotia's film industry. In commenting on that, I'll be referring to and using some of the most current data that we have available.

Nova Scotia is one of two jurisdictions in Canada which has both public support programs for the film and TV industry and an actual budgeted surplus. According to Profile 2017, which is an annual production of the Canadian Media Producers Association, the Department of Canadian Heritage, and Telefilm Canada, total production volume in the Province of Nova Scotia - and this is adding all production types - was higher in 2016-17 than it was in five of the last 10 years. It's now nearing substantially the same volume as the 10-year average from 2007 until 2017.

The other piece of information from Profile 2017 is that every province involved in foreign location and service production did see an increase in activity over the previous year. That would be the 2015-16 year. Nova Scotia was up more than 200 per cent year over year, and that's compared to a 23 per cent year-over-year increase in Ontario.

A quick comment on the data source: the CMPA, Heritage Canada, and Telefilm Canada co-operate to produce an annual profile of the national industry. They do rely on data from CAVCO, the Canadian Audio-Visual Certification Office, which is an office of Heritage Canada. CAVCO works with the Canada Revenue Agency to verify film and TV industry federal credits.

In our view, it is a useful source for data for interprovincial comparisons, but I would point out that there are various data sources for the film industry. You may have other data available to you. My remarks are related to the CAVCO/CMPA data.

Today in my remarks, I plan to provide information on the background on government's policy objectives related to this sector, being the film and TV sector as a subcomponent of the culture and creative sector. We at the Department of Business are very, very grateful for the collaboration of Screen Nova Scotia and all the other industry participants who helped shape this policy framework. We intend to continue this engagement, as we seek to always make continuous improvements to our programming.

In short, our objective at the Department of Business is to grow our film and TV production industry within a sustainable fiscal framework. We work collaboratively with the industry and its members to maintain a competitive sector, and we want to work with industry to improve and increase areas where there is a distinct competitive advantage, and a lasting benefit for Nova Scotians. More broadly, to put it in the context of our overall approach to economic development, we want to encourage innovation, creativity, and unique competitive advantage.

The Department of Communities, Culture and Heritage also plays a role in supporting the industry and its emerging artists. This calendar year, CCH introduced the

Screen Writers Development Fund, a \$262,000 fund with the goal of increasing Nova Scotia content in the film industry, by supporting local screen writers and producers. The fund also encourages diversity and gender parity within the industry. I'd also note that through CCH, the province invests an additional \$238,000 annually into Screen Nova Scotia to ensure the industry has a dedicated film industry partner, with whom NSBI and the Department of Business consult and deal with regularly.

NSBI has export programs and other channeled business growth initiatives which are available to the industry and of course, government general programming to support workforce attachment initiatives such as the Graduate to Opportunity Program, would also be something to which the industry would be eligible.

The province continues to regularly engage with Screen Nova Scotia and other stakeholders as we look to how we can grow this part of our creative economy, and will work to maintain and enhance the overall competitiveness of the industry. Just a few words on the background and context for the industry in Nova Scotia, to provide some useful information to you.

I'll commence with a very brief history of Nova Scotia's Provincial Incentive Program to encourage film and TV production, and this is not to imply that film production in Nova Scotia only started with the introduction of public spending through a tax credit program. In fact, the very first feature film in Canada was a Nova Scotia production. It was by the Canadian Bioscope Company, and they produced *Evangéline*, roughly 105 years ago. It was a critical and financial success.

So that was really the start of the film industry in Canada, and it started here in Nova Scotia, but you'll be pleased to know that the rest of my remarks will focus on more recent history. Public expenditures to support film and TV production in Nova Scotia date back to 1995, and that was with the introduction of the first film industry tax credit at the provincial level. In 1995, the Film Tax Credit was for labour expenditures and it was a 32.5 per cent subsidy with a cap on production on eligible costs. By 2014/15, the credit had increased to a maximum of 65 per cent of eligible labour. Just to recap, over that 20-year period, the tax subsidy increased - it doubled in that 20-year period.

So, throughout the period from 1995 to 2017, Nova Scotia has consistently been between one and two per cent of the share of the Canadian film and television production volume. Although, on average, total production volume has been gradually declining in Nova Scotia since about 2000.

In the last two years, total production has seen a gradual incline, but the make-up of production types has changed. In 2016/17 - that was a good year for production - and moving forward, production demand under the development fund looks strong. As we speak with stakeholders and other interested members in this industry, it's important to remember that Nova Scotia's film industry and indeed, Canada's film industry, is cyclical

and somewhat volatile in the short-term, and we need to be careful in considering not just year-over-year activity, but the longer-term trends.

Year-to-year changes can be influenced by one-time circumstances. An example would be a significant change in the value of the Canadian dollar, which influences foreign producers in choosing to come to Canada if the Canadian dollar were to be at parity or higher, that could have an impact, and so, that's an illustration of how the industry can be cyclical.

Now when we look at the longer-term information, we know our total production volume has remained somewhat constant between one and two per cent of Canadian total production volume.

[9:15 a.m.]

In the 14-year period from 2000 to 2014, annual production volume was, on average, about \$115 million per year according to in this case PWC, and \$105 million per year according to the CMPA information that I was referring to.

In 2016 and 2017, which is the most recent year we have full data on, the total volume of production was essentially at the 14-year average of about \$100 million.

We recognize that film and TV productions account for a small proportion of our GDP - less than 1 per cent in Nova Scotia. However, we also recognize the importance of these jobs and the opportunity to the people that work in the industry and the value the skills of this workforce contribute to the Nova Scotia economy.

Although many of the jobs in the industry are almost by definition short term and episodic, film jobs help build the resiliency needed for a gig economy. In fact, the film industry may be the original gig economy. The industry builds adaptability. It provides transferable skills, which may be crucial as the economy evolves and the future of work changes. In fact, according to the PWC report, almost 61 per cent of the workers in the Nova Scotia industry were independent contractors or freelancers.

Just a few words about industry trends. The industry itself is undergoing transformation as consumer media consumption patterns change. People now consume their media content in many ways, including their smartphones, their computer screens, their television screens and theatrical film screens. The Internet and online sources are disrupting the traditional business models and traditional industry patterns, but the fortunate aspect of this is for those involved in content production, what is emerging is actually a global expansion in demand for content.

Competition for work in the film industry value chain is global and quite competitive. Although the North American industry was originally concentrated in

Hollywood, it is now much more dispersed throughout North America. In Canada, British Columbia, Ontario, Alberta, Manitoba, Newfoundland and Labrador, and Quebec - which is essentially French-language productions - are the primary competitors for film production activity. B.C. and Ontario are also quite heavily involved in other aspects of the industry value chain. So there's production, distribution and other elements of the value chain. Ontario and Quebec have a greater breadth of involvement in other parts of the value chain. They also have extensive infrastructure in industry clusters.

Some of the key competitive factors that bear on the competitiveness of a jurisdiction are infrastructure, talent, locations, economies of scale, input costs and then finally incentives. Nova Scotia participates in the industry primarily in the film and TV production component of the value chain and less so in distribution activities and other activities further up the value chain. Our competitive advantages are talent and locations. Our local producers are particularly important for the film and TV industry and our locations are outstanding.

A few words on production types and trends. The industry can generally be broken down into four main production types. These categories are subject to change as the industry evolves, but the typical production types are: foreign, location and service productions; TV production; broadcast production; and Canadian theatrical film production. I'll comment on each component of production activity in Nova Scotia.

According to the Canadian Media Producers Association (CMPA), there has been significant growth in Canada in foreign location service productions since 2013 as the Canadian dollar declined relative to the U.S. dollar, thus making Canada - and particularly B.C. and Ontario - more attractive to large foreign service productions.

The CMPA reported in its 2017 industry report - that's the most recent report - that Nova Scotia had an over 200 per cent increase in foreign service and production values from 2015-16 to 2016-17. In numerical terms it went from \$12 million to \$39 million, and \$39 million would be the highest value of foreign service productions since 2009-10.

Canadian television production in Nova Scotia saw a decrease in the volume of activity between 2015-16 to 2016-17 of \$6 million, going from \$43 million to \$37 million. Nova Scotia has one per cent of national TV volume and is fifth behind Ontario, Quebec, B.C. and Alberta.

For Canadian theatrical film production, according to CMPA data, we have seen a declining trend that really started around 2007, and that declining trend from then to date goes from a production high of 11 productions in 2010-11 to no productions in 2014-15, prior to the introduction of the new fund, with a slight recovery up to three in 2015-16 and one in 2016-17. I'll add that that data is from the CMPA data, and there may be other data that would provide additional insights into the trends in Canadian theatrical film production. Overall, the decline in Canadian theatrical film productions would follow a

national trend, where we've seen three years of decline in the total numbers of Canadian theatrical film productions.

Finally, in the 2015/16 to 2016/17 timeframe, we saw a very slight decrease in broadcaster in-house production activity, from \$25 million to \$23 million. Broadcaster in-house would be, for example, CBC Productions.

Employment trends: industry employment trends will be affected by several factors, particularly the type of production. So, *The Curse of Oak Island* will have a different employment profile compared to a television series like *The Book of Negroes*. Documentaries and variety and performing arts productions will usually not require abundant ACTRA members, while foreign service productions may favour the number of IATSE members that become involved.

It's also important to note that employment levels fluctuate from year-to-year in the industry, and that in 2015-16 and 2016-17, those numbers were headed in a positive direction. Despite that, FTE employment has not regained the levels that existed in the 2001 to 2013 period, which maybe attributable to changing patterns of production activity in Nova Scotia.

Particularly, as in the longer-term trends, local production makes up a larger proportion of our industry, relative to foreign and location service productions. In general, local productions or Nova Scotia-owned productions, have a higher economic value to Nova Scotia. That said, we know that producers of larger foreign service productions continue to do business here like, *The Mist* and *Lighthouse*, which is currently filming here in Nova Scotia.

I'd like to just wrap up with a few comments about the incentive fund itself that was introduced in July of 2015. The incentive does not cause productions to occur, but is one of five or six competitive factors which can influence production location decisions, and lead a producer to select Nova Scotia as a location for film or TV production. Other factors are talent, infrastructure, studios, soundstages, type of production - for example, B.C would have an advantage in foreign service due to their proximity to Hollywood, their time-zones, their infrastructure, their industry relationships, and that in some ways, explains why they have 36 per cent of the national industry.

The policy of the Film Industry Tax Credit seemed to be to seek to offset our competitive challenges with a nationally higher level of subsidy. However, from 2000 to 2014, we still saw a downward trend in production volume from the region, suggesting the former policy was not optimal. I would suggest the solution lies not just in adjusting the subsidy, but in collaborating with participants in the industry to focus our attention on those aspects of the industry where Nova Scotia can build on its existing competitive advantages, and offset weaknesses by making strategic investments and further building on our competitive advantages of talent and locations.

One of the criticisms of the Film Industry Tax Credit was that it did not specifically incent the use of Nova Scotia talent - particularly, actors in principal roles. In consultation with ACTRA and others, a specific Nova Scotia content incentive was added to the new program to address this gap. The Nova Scotia content incentive pays a 1.5 per cent bonus if a production has 60 per cent of all principal performers, actors, and stunt performers as Nova Scotians. An additional 1.5 per cent bonus is available for any three: of having a Nova Scotia copyright owner, Nova Scotia trainees, Nova Scotia post production, total spend in Nova Scotia being greater than 75 per cent of total production costs, having a Nova Scotia writer, a Nova Scotia director, a Nova Scotia producer. In other words, any production that has any three of those elements is entitled to bonus subsidy under the funding program.

While these bonus elements were initially resisted by some producers, ultimately a consensus was reached that the benefit of the incentives should be shared with and extend to Nova Scotia-based talent, as well as producers.

If one of the objectives is to improve our competitive advantage, one area to explore is how do we increase the scope of these Nova Scotia content incentives to build that aspect of the industry.

Looking at the changing pattern of production, there does seem to be an increase in Nova Scotia local production as a percentage of total production activity, and this would actually be in line with the policy objectives.

I will close with just a comment or two on the cultural industries more broadly. According to Stats Canada, in 2016 there were 13,719 culture jobs in Nova Scotia. This was a 4.9 per cent year-over-year increase and the rate of growth of culture jobs in Nova Scotia was faster than job growth in the broader economy.

For our new economy, an economy that sees value in creativity, exploration, research, innovation, and growth of culture jobs, it bodes well for Nova Scotians' future and that is a trend that we, at the Department of Business, will seek to accelerate with participants in the cultural sector. Thank you.

MR. CHAIRMAN: Mr. Houston of the Progressive Conservative Caucus, you have 20 minutes.

MR. TIM HOUSTON: There are a lot of numbers in the presentation. There are a couple of numbers I didn't hear, though, and that is the amount of the incentive, I guess, that the province invests in the industry.

The province used to invest about \$25 million under the old system up to 2014, and we know the volume that was generated by that investment, or at least partly attributed to

that investment. How much was invested in the last year and how much have we invested this year?

MR. BERNIE MILLER: I will answer the latter part of your question first. The current year budget allocation is \$20 million in NSBI's budget, which is built on the forecast of need for the upcoming fiscal year. In the time that the fund has been in place, the fund has approved 91 productions and approximately \$40 million in government funding has occurred.

MR. HOUSTON: So, how much last year, just last year?

MR. BERNIE MILLER: Last year's expenditures in the fund were \$22 million.

MR. HOUSTON: At the time, under the old regime, I guess, the last year, was \$25 million and I know you quoted that PricewaterhouseCoopers analysis is \$115 million volume. The former Finance and Treasury Board Minister disputed that to no ends of the earth, but is it now accepted that that \$25 million investment in the industry was generating economic activity in excess of \$100 million.

MR. BERNIE MILLER: For which year are you referring?

MR. HOUSTON: the year 2014.

MR. BERNIE MILLER: The 2014 year - that's a particularly troubling year to get accurate data. CAVCO and CMPA do not . . .

MR. HOUSTON: You quoted, you referenced the PricewaterhouseCoopers analysis as \$115 million volume for that.

[9:30 a.m.]

MR. BERNIE MILLER: We have three different data points on that. We have a CMPA number, which has an asterisk on it of \$69 million of production, which we don't think is an accurate number in that particular case.

We have the PricewaterhouseCoopers report, which was \$139 million. Then the data that we have says it's anywhere between \$120 million and \$180 million is where the actual number.

MR. HOUSTON: For the budget for this year - \$20 million - how much volume will that generate?

MR. BERNIE MILLER: It's forecast to be in the \$100 million-plus range.

MR. HOUSTON: Okay, here's my problem. A \$25 million investment generated economic activity, according to PricewaterhouseCoopers, of \$139 million. According to the department, somewhere between \$120 million and \$180 million - \$25 million led to that much economic activity. Now after everything, \$20 million this year is going to lead to a significantly reduced number of economic activity.

You're spending as much as was ever spent, but fewer people are working and the industry is smaller. That's the problem here. Do you accept that that's a problem?

MR. BERNIE MILLER: First, the phrase "economic activity" - it's production volume that we're referring to rather than economic activity. The question, I guess, assumes that the intention is merely to reduce the total level of support to the industry. In fact, the intention was to provide a competitive fund that would also see certain policy objectives being pursued, such as the Nova Scotia content elements that I referred to.

In addition, by shifting from a labour-based fund to an all-spend kind of production in Nova Scotia-based fund, it was to see that the benefit of the subsidy was incenting the use of goods and services outside of only labour.

The other aspect is really the context of - why shift from the tax credit to the fund? The context was that in 2014 the Province of Nova Scotia had a \$14.9 billion debt level. The 2013 deficit was about \$300 million. The 2014 forecast deficit was \$250 million. The Department of Finance and Treasury Board had conducted a full program review and they concluded that the Film Tax Credit was open-ended and back-end loaded in the sense that applications would be made, but the actual liability was not known in the current year and, in some cases, was not known for many years, so it was a very open-ended, multi-year commitment, and it was not subject to forecast.

The government of the day was looking at the investments needed in health, education, community services and saw that debt service was the fourth highest category of expenditure.

MR. HOUSTON: So it was to save money. You can't have it both ways. You can't say it wasn't to save money and then provide analyses that shows it was to save money. I guess if we cut through all that though - I had the benefit of being in this Chamber for hours of discussion on this topic with the minister and it was clear to me that the change was to save money. It was a \$25 million investment that became a \$10 million fund. We can't rewrite the history on that, but I guess I'd like for us to look objectively at the results of the change.

To look at the results of the change, I only need to look at the numbers that were provided today. The province is pretty much investing as much money as it ever did, and in return, the taxpayers of the province are getting smaller, reduced economic activity. We're getting less bang for the buck. The industry is smaller. Fewer people are working.

The infrastructure that we had is disappearing because there are fewer people working. The change hurt the industry, and by hurting the industry, the change hurt the province. That's the numbers that are before me, despite - there are hundreds of numbers provided in your presentation, and I appreciate that. But when I cut through all the noise, those are the numbers that matter to me.

Do you accept that the industry is smaller today than it was in 2014?

MR. BERNIE MILLER: No.

MR. HOUSTON: You don't accept that?

MR. BERNIE MILLER: No. The data . . .

MR. HOUSTON: Let's go through that. That's an important revelation for me. Do you believe that there are more people working in the industry in Nova Scotia today than there were in 2014?

MR. BERNIE MILLER: That wasn't your question. Your question was the size of the industry. The industry . . .

MR. HOUSTON: Well, maybe I can define it and we can have some clarity.

MR. CHAIRMAN: Order. The member has asked a very clear question about the number of people working in the industry. As chairman, I wish to hear an answer. Mr. Miller.

MR. BERNIE MILLER: According to the CMPA data - the data would say otherwise.

MR. HOUSTON: I just want to be very clear. My question was, is the industry smaller or bigger? The answer was that it's not smaller, so that implies that it's bigger. Now I want to go through some criteria.

My definition of the industry size - how many people are working would be a key criterion for me. The economic activity that's generated by the investment would be a second key criterion. We've already established from your own numbers that the volume is smaller. That's not a bigger industry. That's a smaller industry on your number of volume, by the numbers that you've presented to me today.

I now want to move to the other criterion I had, which is how many people are working in the industry. If it's a growing industry, more people should be working.

My specific question is, in the department's view, are there more people working in the industry today than there were in 2014? I know the real-world view, but in the department's view, are there more people working in the industry today than there were in 2014?

MR. BERNIE MILLER: There are a couple of questions there. One was a question of volume. My point in my remarks was that the volume of industry activity in the current year at \$100 million, according to CMPA, is the same volume as the average 10-year volume. From a volume point of view, comparing the most recent data we have available, with the 10 years preceding any change for the tax credit, the volume is comparable. So that is the first reason why I couldn't agree with your comment.

MR. HOUSTON: If I could just . . .

MR. CHAIRMAN: Order. We'll allow Mr. Miller to answer.

MR. BERNIE MILLER: The second question has to do with employment, which is distinct from the size of the industry. Employment is determined by a range of factors, including production types. Production type probably has the biggest influence on employment. When we look at employment in the industry, what I see, and the data the Department of Business has, is that when we compare 2015-16 to 2016-17, the level of employment is increasing and has increased. It has reached some of the same levels that existed in previous years.

But as I said, employment is cyclical. The creation or the elimination of a fund - or the elimination of a fund that wasn't replaced - would impact. But I cannot say that any change to the fund causes job losses. We need to consider the base year. If the base year is unusually high, or higher than average, then there will always be a regression to the mean, so what might appear to be a job loss is not a job loss but a regression to a mean.

That's why, in my opening remarks, I said that it's important to look at the long term and not just pick years. I was the leader of a law firm for a while, and we had an exceptionally good year in 2006, so the total number of hours worked in the business was very high in 2006. In 2007, we had what I would call an average year. It wasn't a bad year, but it was a regression to what would be a normal year, and our total number of hours worked in the business decreased that year, but it wasn't caused by anything other than a regression to the mean.

So, the film industry is the same, the FTE has declined. If I look at 2006-2007, for the film industry, the jobs in that year in the film industry declined by over 40 per cent in 2006-2007. Comparing 2009-2010, there was a year-over-year 45 per cent decline. If we don't look at successive years, we can see the decline appears even more pronounced. So, comparing 2012 to 2008, one would be left with the impression that . . .

MR. HOUSTON: Thank you for that, I appreciate that, and you know, statistics, right? You quoted 105 years ago when the first film was, and we could go back 106 years, and say, well, wow, what a big spike.

The reality of it is that this is an industry that was hitting stride. It was hitting stride, it was gaining momentum, it was performing at a high level. If a runner is running in the 50-yard sprint and tripped halfway through just as they hit their peak speed, one could say, well, when they got back up, it took them 10 metres to get back up to speed, and that was the regression to the mean. But that's not what happened here.

What happened here was when the runner hit peak speed, somebody stuck their foot in front of them and tripped them. Then, as they tried to get themselves back up and get back up to speed, the same person who put their foot in front of them said, well, look at that. Look at that, they're picking up speed again, they didn't need to be tripped in the first place.

If the position of the department is that the hours worked in 2014 was just an anomaly - it was an overly good year, and it was bound to be a regression to the mean - if that's the position, and that the hours for the IATSE numbers went from 350,000 hours worked in 2014, went all the way down into 139,000 in 2015, that's what happens when somebody sticks their foot in front of you and you trip, you fall on the course.

Then, they started to come back up to speed. If the department is advancing the position that the difference between 350,000 person hours in 2014, down to 139,000 in 2015 is just an inconvenient happening, an inconvenient consequence of life beyond the change, I don't agree with that. The change was somebody sticking their foot in front of the runner and to try and describe it as anything else, it's almost a bit laughable to be honest, and the knock-on effect from that continues.

In your opening comments, you said that you know the incentive is one element. Sure it is, and the other elements are talents and infrastructure, but guess what? By sticking the foot in front on the incentive, you've hurt our talent; it's leaving. You've hurt our infrastructure; it's closing down. These things are all interrelated, and it's interesting for me now to revisit this years later, and to hear a position advance well, our policy change didn't impact the industry.

MR. BERNIE MILLER: If I could address that point, the observation I was intending to make was that if one looks at the data, one can find variations throughout the long-term cycle where there have been declines in total hours worked, where there's been no change to the policy or programming that occurred. So the premise of the question and the suggestion that there was an event that tripped the industry is something that the data doesn't fully support, but I will come back to some qualifications to that.

The 2006-2007 decline was an example I was using simply to illustrate that industry dynamics are variable, and one has to be cautious with precise year-over-year comparisons, as I did. I said if we look at the more recent years, then the years you're referring to, if we look at 2015-2016 to 2016-2017 - using 2015 as the base year - we see jobs are increasing. But I'm not coming here and saying that's the only story. I'm saying that one has to look at the numbers in totality.

[9:45 a.m.]

There are a couple of other points on the policy of the fund. If the premise of the question is the introduction of the fund involved tripping the industry, I would say Alberta has a fund which is similar to the Nova Scotia fund in all material respects and they've seen job growth, with some minor variation since they've had a fund.

I would add two qualifications. The first qualification I would make is the lower overall payment to producers from the fund. If we compare that to the former tax credit, which was the highest in Canada, that could result in people shopping for the lowest-cost jurisdiction. Or another way of putting it, the highest subsidy, regardless of other factors like location or talent, could cause a producer to choose a jurisdiction that will pay them more for filming there. This could affect employment levels, particularly for foreign and location service productions.

The second is, I would agree there was a period of adjustment that occurred after the fund was introduced and that could have been a factor, but it wasn't the policy design of the fund per se, but there was a period of adjustment.

Finally, I'd add that the type of productions - which are not directly caused by the fund but could be influenced by the fund - could be a factor. For example, to the extent that the fund encourages Nova Scotia Indigenous productions from local producers at a higher level than foreign service productions could result in foreign service producers choosing a jurisdiction that will pay them more to film there.

MR. CHAIRMAN: Order, time has expired. We'll move to the NDP caucus, Ms. Roberts.

MS. LISA ROBERTS: I'm just going to restate some numbers because there were a lot of numbers flying during your exchange with Mr. Houston. I have that in the last full year of the Film Tax Credit, the provincial expenditures were \$23.5 million and that in 2016-2017, the amount spent on film incentives was \$22 million. Do those numbers sound right to you?

MR. BERNIE MILLER: Yes.

MS. ROBERTS: Okay, thank you. The numbers from the Directors Guild and IATSE 849 show that the total numbers worked by their members in the film industry have dropped dramatically since the cancellation of the tax credit, and the switch to the incentive fund - more than 60 per cent reduction in hours worked compared to the last year of the labour-based tax credit.

I accept your point that the numbers vary from year to year for many different reasons, but does it concern you that the province is spending the same amount in subsidies with much worse returns in terms of jobs?

MR. BERNIE MILLER: Again, the premise of the question has to be put in context. The Film Industry Tax Credit paid well after the production occurred, and there was a significant tail on payments made under the film industry tax credit.

Just to illustrate that point, in the most recent fiscal year that has just concluded, we still paid \$6 million under the Film Industry Tax Credit, so to compare the forecast budget fund for the film industry fund, which is a forward-looking forecast, and merely what we're doing is putting in our budget allocation based on the data we have available, our best estimate of what will be required to support the fund, and comparing that to a backhand-loaded Film Industry Tax Credit where the payouts occur after the production activity has occurred, and the liability is booked after the production activity has occurred, just creates two different comparisons.

On the jobs point, your observation is - I don't want to leave anyone with the impression that we're not interested in working with the industry in addressing the competitive aspects that will increase employment. It would concern me if we saw a trend downwards that continued downwards.

The numbers you quoted, the base year was the year before the change. If that trend had persisted I would be concerned, but what we have seen is in the last year, after a year of adjustment, we see total employment increasing. So in the most recent year, according to CMPA, total FTEs was about 880, and the average for the 10-year period before the change was higher than that, but not so materially higher that it would cause one to think that something fundamental has changed.

MS. ROBERTS: Okay. You point out that if we look at production volume in 2016-17 it was \$100 million, and that's at about the 14-year average.

In your witness package, there are some stats there for the trends in the Canadian industry, and certainly in 2016-17, they're spiking far above the 14-year average. We're at the 14-year average and they're heading up, so there is some divergence happening between what is happening in the industry in Nova Scotia, and what is happening across the country at this time of great demand for content.

MR. BERNIE MILLER: Ontario and B.C. in particular, are benefitting substantially from the industry clusters that they have, including in particular the infrastructure. So given we still have 2 per cent of the market as we've always had, it's good news from that point of view. But in terms of who is benefitting more from foreign location service productions, choosing Canada over the long term, more of those productions are ending up in Ontario and B.C., but I would suggest that part of that is because of the infrastructure not necessarily, the level of subsidy, because of the level of subsidy in B.C. and Ontario would be net lower than what's available here.

MS. ROBERTS: Moving briefly to infrastructure, because I have more questions that I will be able to get to - we do know that soundstage space is at a premium across the country, and establishing a soundstage in Nova Scotia would be a huge factor in increasing Nova Scotia's competitiveness for large-service productions and would also be valued infrastructure for local productions. We don't currently have a soundstage, so is your department working to support the development of a soundstage?

MR. BERNIE MILLER: We haven't been approached specifically on that, but we have had some discussions with members of the industry. To put it in the context of our overall approach to economic development, we believe that strategic economic infrastructure that can support sectors is important.

To shift very quickly to a different sector, the ocean sector is one that we see potential on and obviously, the government was interested in providing support for the Centre for Ocean Ventures and Enterprise as an anchor place in which the private sector could then enhance their competitiveness. So the same principles would certainly be the lens through which we looked at these types of questions.

MS. ROBERTS: At the same time that the Film Tax Credit was cancelled and switched to an incentive fund, the \$2 million in equity funding was cancelled. That equity fund really helped local productions leverage other funding from broadcasters and other levels of government - other funds. That was key to building and showcasing Nova Scotia talent, and the talent then helps to bring the service productions and other large productions. Many other jurisdictions offer equity funds in addition to their incentive programs. Can you explain why we cut it?

MR. BERNIE MILLER: In terms of the benefit of start-ups and encouraging start-ups, it's very aligned with our thinking as well. The equity program for more mature or established enterprises is less evident, and that would have been a factor in the determination, I expect - although I don't have a precise line of sight on that.

I would say the intention of venture or seed stage support to an early stage enterprise is something of importance to us in our economic development thinking. So, the Screenwriters Development Fund is kind of an early step along that line, with the intent of supporting more local content, which then is at the early stage of the development of a

production, which will then have beneficial knock-on effect. So conceptually, the idea of early stage support - whether it's in the form of equity or otherwise - would be aligned with our thinking.

MS. ROBERTS: So, that is something that you would be open to considering reinstating for the film industry?

MR. BERNIE MILLER: Well the suggestion of reinstating versus what I was trying to describe, there is a distinction, because the equity funding program that was available was not targeted in the same way - my observations of policy intention would be. But conceptually, rather than saying simply do what we did before, having discussions about how we can support early stage productions would be very much on our radar.

The other piece is NSBI provides programming broadly, and we'd encourage start-ups to talk to them or Innovacorp. Also the Eastlink fund which is managed through - it's a private fund but it's managed by NSBI, that would be available for some level of investment.

MS. ROBERTS: Again, recognizing that film production across the country and in other jurisdictions is going up, and we're not at this point catching that wave, the industry says that the \$4 million cap on funding acts as a disincentive for larger productions to consider Nova Scotia.

I know that, in fact, on a case-by-case basis, the department has made that cap flexible and gone beyond it, but why doesn't the department just eliminate the cap from its guidelines?

MR. BERNIE MILLER: We continue to listen to industry on these points and have interactive dialogue on it. When we look across the national landscape, we see that Newfoundland has a \$4 million cap, New Brunswick, which isn't really a player in the industry, has a cap, but Alberta where we've modelled a lot of our policy choices, has a cap. But as you pointed out, having the ability to look at net benefit, Alberta has introduced a different model where they're actually rating and scoring plans that are coming in. I'm not sure if that's something where the industry would be interested in going, rather than kind of an open-to-all type of non-government evaluated program.

The short answer to your question is, I think the cap is a prudent safeguard, but this is the per-production cap. But as has been the practice, having an open dialogue and being able to make appropriate adjustments when necessary makes sense.

I think rather than just opening it up, which exposes governments - present and future governments - to the risk of open-ended financial commitments, I think it's still prudent to maintain some level of cap on a per-production basis.

MS. ROBERTS: And what about as a total budgeted amount basis? You said that we have a budget this year for \$20 million, last year we spent \$22 million, for producers looking at Nova Scotia, they might get the impression that on well, I think they have probably already spent their total amount, I'll go to another jurisdiction. Is there talk of eliminating that sort of the total cap on the total line item, or communicating that more clearly to the industry, that there isn't a cap, if there isn't one.

MR. BERNIE MILLER: It's a very fair question. Like any budget item, because we've shifted from a tax credit to a forward-looking fund that needs a budget allocation, during the budgeting process, the Deputy Minister of Finance and Treasury Board and others want a number, so that becomes our budget allocation. We use the best information available to us at the time of budgeting, as we do for most programming, to determine what is the appropriate budget number.

The characterization of that as being a cap would be a mischaracterization. It's a budget allocation, and we want to work with industry to make sure there is sufficient understanding in the industry that if there's a net benefit to Nova Scotia, although the Deputy Minister of Finance and Treasury Board would not encourage people to exceed their budget allocations, and obviously there are processes - and Public Accounts Committee processes would be one of them - to ensure the departments stay within their budget allocation, there is, as there always is, an opportunity to have a discussion and seek authority for additional spending.

MS. ROBERTS: I do want to return to the jobs question and clearly, the Film Tax Credit was a labour tax credit, so it did incent spending on labour and particularly, I would add, labour that was higher paid than the Nova Scotia average, employing younger people than the Nova Scotia average, people with high skills.

Does your department have any plans to make changes to the Incentive Fund to support more film and television industry jobs? When asked this in Estimates, the minister said he was always open to conversations. Does that mean that no conversations have occurred, or what does that mean?

MR. BERNIE MILLER: I would think probably from a career point of view, appropriately echo what my minister has said, we're open to conversations and the types of things - and I referred to it in my remarks - of the Nova Scotia content incentive, what we would like to do is an evaluation of that and determine whether it's having the impact it was intended to have and, obviously, continue a dialogue. If there can be adjustments in the way in which the incentive is designed in order to achieve better outcomes, we are always open to improvements.

[10:00 a.m.]

On the foundation of the question, labour versus production incentive, that's a distinct policy choice. Some jurisdictions do offer both and they allow producers to pick one or the other. Certain jurisdictions, ours and Alberta being the ones in particular, have production incentives only.

When this program was being developed there were conversations with the industry, and producers are very quick to be able to do the math to compare a labour-based fund to a production fund and determine, for their particular production makeup, which one is optimal, from their point of view. We want to continue to maintain discussions with the industry to ensure our production incentive process maintains competitiveness in the industry.

MS. ROBERTS: Currently, the incentive system includes a 2 per cent bonus for shooting in rural parts of Nova Scotia, and a 1 per cent bonus for production filming longer than one month. The feedback we've heard from the industry is that 2 per cent is not significant enough to encourage shifting more of the production to rural areas.

I would suggest that probably 1 per cent for this, 1 per cent for that, 1 per cent for this - when you are actually engaged in a creative enterprise, you're not going to be recruiting a producer or a lead actor or a director based on 1 per cent financing. You are not going to be choosing whether you do a film that is appropriate to shoot in a rural area based on a 2 per cent tax incentive.

I think that thinking and that program probably needs to be redesigned; however, what we have heard from the industry is that it would be helpful if some of those extra little points could just be rolled into the base, so that producers can clearly understand what is available in our jurisdiction versus another jurisdiction. I am wondering, would you consider that to increase our upfront competitiveness?

MR. BERNIE MILLER: The suggestion was made during the development of the process. The concern I had is that the Nova Scotia content incentive was specifically designed to be responsive to ACTRA's desire to incent producers to use Nova Scotia principal talent, rather than flying in principal talent from Toronto or Los Angeles, when there are very, very capable and talented principal actors here in Nova Scotia.

The concern, just to share it with you directly, would be that if we simply rolled it into one number, the ability to use the incentive program for sub-policy objectives like increasing the use of Nova Scotia talent could be lost in the mix.

To your other question about the makeup of the incentives and are they achieving the objectives - it's our intention, using data, to continue to assess that, and if we reach the conclusion that it is not achieving the outcomes we are absolutely open to discussing that.

I guess the sticking point would be if it is incremental new or if it's shifting the incentives within the existing total percentage - that would obviously be a subject for further discussion.

Our desire would be to stay within what we believe is a total, competitive, over-all percentage amount, but move the percentage bonuses in a way that gets the outcomes we want to achieve. It may be that the industry's ask would be, just increase the incentive overall.

The fear I would have about that would be a race to the bottom where Ontario has reduced its credit, B.C. has reduced its credit - Manitoba has not reduced their credit, but they have a \$600 million deficit. They are under a lot of pressure to do it, but they chose to take the year to evaluate their programming.

The trend in the industry is to scale back the level of support, particularly as the Canadian dollar introduces competitive advantage for foreign service, so there would be some reluctance on our part to just add because we'd be following a path where, as I said, the program was introduced at 35 per cent and by 2014 it was 65 per cent, and that would be problematic.

MS. ROBERTS: Okay. Anecdotally, we hear reports that many Nova Scotians in the film and television industry, especially young Nova Scotians, have moved. It was noted in the PricewaterhouseCoopers that this was a younger demographic, many of whom had come to Nova Scotia from elsewhere, more mobile than most. Unfortunately, when I was going door-to-door in my constituency, I actually found people with their bags packed.

Has your department done any analysis on the impact of the changes in 2014 on the province's goal of youth retention?

MR. BERNIE MILLER: At a broad level, we believe that investments in culture, creativity, innovation - although it's not exclusively the domain of youth, it is attractive to youth. It's beneficial to our overall objective of increasing retention and also attraction, so at the high level, we're certainly aware of it. I would include creativity, cultural industries as being part of the mix, so that's important to us.

To the extent that data - if it's available - suggests there are things we can do in the film industry that would target youth, for example, the kind of early stage type of work that we're talking about, we're certainly open to having discussions.

MS. ROBERTS: As you mentioned, some other jurisdictions have a partial labour incentive and a partial production volume-based incentive. Do you see a way that a labour incentive could work for your department?

What I'm hearing from your overall remarks is that the old system was difficult for the Department of Finance and Treasury Board because it did pay out over a number of years. I'd be interested to hear if there's any labour incentive that you see could work for the Department of Finance and Treasury Board, if that is the test that film incentives need to pass through.

MR. CHAIRMAN: Order. I am sorry there won't be time to answer that question - perhaps in the next round. Mr. Gordon Wilson.

MR. GORDON WILSON: Just to start off, I do believe this is the first appearance, Mr. Miller, at Public Accounts Committee. That wasn't noted, but I'd like to welcome you. As you've already experienced, this is an interesting place to sit. I'm one that likes to listen to answers more than go into preamble. I have a few questions that I certainly think are pertinent.

I also want to note that my understanding of the Film Tax Credit and the events that have gone on over the years are I guess from a different opinion, a different world. From my riding of Clare-Digby, it really wasn't a large topic, so I have what I feel is a very unbiased opinion of how things rolled out. It's very interesting to see the complexities, to say the very least, of how this industry across Canada - I must give a compliment to the staff, the briefing package we received on this was extremely informative, a lot of good comparisons of what goes on across Canada. I also must say that your understanding of it - I believe you are new in the position, not too long - is commendable.

I guess I wrote down one thing here, there's a complex number of suites, incentives across Canada, and to try and compare one to the other, throw into that the mix of data that's out there, whether it's jobs you are creating, or whether it's direct money that is going into the industry, or whether it's impact on employment directly or to production - it's hard to compare apples and apples.

I was surprised to see my counterpart, who is an accountant, be challenged with that data; usually he loves the data. Can you give me an idea of what, in regard to factors, that drive jurisdictional competitiveness in this sector? I'm talking across Canada. What do other provinces, including us, take into consideration when we're making these major decisions on how best to spend our funds?

MR. BERNIE MILLER: One has to start with what your overall objectives are as a province, and how you use the limited resources you have to maximize the benefits for the province. That's kind of the first point, and recognize there's an opportunity cost to every expenditure. Every investment in an industry such as the film industry also has to be put in the context of, what are you not able to fund with the same resources? That's the starting point - considering what your competitive advantage is in that industry.

As I mentioned, although it was a long time ago, Nova Scotia had a film industry a long time ago, and starting in 1995 we explicitly started to develop the film industry in Nova Scotia as a 2 per cent component of a national film production environment. The federal government around 1980 got interested in cultural industries and how we dealt with what, at the time, was Hollywood's monopoly position on the film industry. Hollywood ran the industry in North America, so Canada made a decision in the 1970s, 1980s, and 1990s that they would start to support that and provinces followed suit, but not all provinces are created equal.

British Columbia as I mentioned - because of their proximity to Hollywood - was maybe a first point of entry for major foreign service productions. Choosing to go head-to-head with British Columbia on major foreign service productions would be bad policy in my opinion, because we would lose every time, unless we were able to offset our competitive disadvantage with sufficient taxpayer money, which doesn't make sense. Looking at those aspects of what it is about Nova Scotia that has distinct competitive advantages - I think of our creativity, our talent, the culture, the people, the people in the industry, the resilience of the people in the industry, that's a competitive advantage.

Second is our locations. We are a beautiful province with lots of unique locations for filming, and some films would want to film here specifically because of our location. There's a production under way called *The Lighthouse* that's being filmed now. We're going to get that work - Alberta is not going to get that work, they don't have as many lighthouses as we do. So location is a second part of it, and play to your strengths would be an area but also, always in the context of, what's your opportunity cost? What are you not doing because you're investing in this particular industry?

MR. GORDON WILSON: Just one other quick question. I have some anxious colleagues here that I'm going to pass on to - Mr. Maguire. Will we ever be able to compete with the likes of Ontario and British Columbia?

MR. BERNIE MILLER: Not if we try to compete with them in exactly the same way they're doing the industry. We should recognize our unique strengths and focus our attention on those, and building our indigenous local productions would be part of it as opposed to trying to compete directly with Ontario or B.C. In B.C.'s case, they are 36 per cent of the national market; Ontario is 35 per cent of the national market; and Quebec is 21 per cent of the national market. Quebec, because of language, has a monopoly on French-language production. So, really like any industry, the dominant player is going to get the dominant amount of the work, and those three provinces are the dominant players.

MR. GORDON WILSON: Thank you very much.

MR. CHAIRMAN: Mr. Maguire.

MR. BRENDAN MAGUIRE: I want to first start off by saying that I think we all can agree that the film industry is an important industry for Nova Scotia, and not just from an economic standpoint - that's the thing that some people tend to concentrate on - but also from a cultural standpoint. It's important for Nova Scotians to be able to tell their story, especially on a world stage. We just had an individual . . .

MR. CHAIRMAN: Order. Mr. Maguire, could you pull your mike down.

MR. MAGUIRE: First time I've ever been told I'm too quiet. We just had an individual here not too long ago who came to the Legislature with an Oscar, which is something we should all be proud of.

I had a whole list of questions, but listening to the back and forth, there are some things that I need to clear up. I guess, from a yes or no standpoint, like just a yes or no answer - if you want to get into a little bit of detail, that's fine - are you saying that the change from a tax credit to an incentive had no impact on the industry, or are you saying that it had an impact on the workable hours of the industry?

MR. BERNIE MILLER: I'll have to give a little bit more of an answer than a yes or no, if that's okay.

MR. MAGUIRE: Yes.

MR. BERNIE MILLER: The question is, did the change have an impact, and the answer would be, the policy shift - it's too early to tell the long-term impact of that.

MR. MAGUIRE: Let's say short term.

MR. BERNIE MILLER: Short term, there was some period of adjustment, as people shifted from one model to the other. There was obviously advocacy that occurred in that period, which took people away from their day jobs. So that would be one potential impact.

The second potential impact - and I think this one would bear through - if there were jurisdiction shoppers that were simply looking for the best subsidy they can get, regardless of locations, talent, and anything else, we were no longer the premium high - I guess maybe I shouldn't say premium - we were no longer the value producer. We were not competing for that piece of the market, so that would have caused the jurisdiction shoppers to choose to go elsewhere: Manitoba, northern Ontario, would be examples of places where they would have gone.

MR. MAGUIRE: So we can say that there was an impact, short term, but we don't know the long-term impact. What has NSBI done to try to assure the individuals in that industry that we are going to support the industry? I think we've had this discussion many

times, but some of the best paying jobs in the industry come from foreign investment. When you get a big Hollywood production, or you get a large production company coming here to Nova Scotia, they sometimes tend to pay a little better and spend a little more money. What are we doing to assure those individuals who work in the industry, and those production companies that are looking for a place to temporarily call home, that we are here - we're open for business and we will support you?

MR. BERNIE MILLER: There are a couple of things. First of all, maintaining regular contact with Screen Nova Scotia to get input and have a dialogue is number one. So, there is a working group of Department of Business, CCH, and NSBI that meets regularly with industry so that the information flows in.

Second would be promotion of exports because Nova Scotia productions are exports, so NSBI has had 22 film companies take advantage of export development programs. The pace at which transactions occur now that NSBI manages the fund is much quicker than the former Film Industry Tax Credit, which was much more prolonged. So for efficiency for financing purposes, there is a dedicated staff. There is very quick turnaround. All of those elements would contribute to creating stability.

The other important question that your comments kind of invite a response to is, what is more beneficial for the long-term prospects of Nova Scotia? Yes, a large production coming in using taxpayer subsidy and leaving has a short-term benefit, wages might be marginally higher. But the long-term benefit - the reason that you'd really want to have a broader involvement in the film industry, is so that you can build the value chain more completely, so it's not just fly in/fly out. You're developing more permanent attachment to Nova Scotia in creating longer term opportunity, and that's where our focus is.

MR. MAGUIRE: That kind of leads in perfectly to my next question, which is - we talk about where we have an advantage over some jurisdictions, but we also have a competitive disadvantage when it comes to infrastructure, for example. We've heard this from the industry - not just during the changes, but before the changes. There have been rumours about cultural links, sound studios, production studios, post-production studios, et cetera. What is NSBI doing to try to narrow the gap on our competitive disadvantage when it comes to film infrastructure, and who are you working with within the industry to ensure that any money spent or invested is invested in the right place?

MR. BERNIE MILLER: It's not just NSBI, although NSBI is an important program delivery point, but the Department of Business and the Department of Communities, Culture and Heritage are regularly interacting on questions like, what is the strategic economic infrastructure to support our key sectors? Cultural industries would be part of it.

You mentioned a culture link. We're looking right now through Invest Nova Scotia, which has an arm's-length board, at creating television production studio space in addition

to other cultural infrastructure in Halifax. So that's ongoing and it involves CCH, the Department of Business, and this arm's-length body, Invest Nova Scotia.

MR. MAGUIRE: So you're actively working on trying to narrow the gap with our disadvantages when it comes to the film industry, from an infrastructure standpoint?

MR. BERNIE MILLER: As your question implies, there's more to competitive advantage than simply subsidy. Absolutely, infrastructure is on the table.

MR. MAGUIRE: The way media is being brought to the consumer now is changing. For example, Amazon just bid \$250 million for *The Lord of the Rings*. There are rumours that the TV rights for *Harry Potter* will go up to \$1 billion. Last year, Netflix spent \$6.5 million on original content. I mean, the list goes on and on. We have Apple, and Facebook is now getting into original content.

Are we actively seeking out those opportunities? Are we in contact with not only the traditional producers but the streaming services and the services that, it now looks like, are going to be provided? I think most of us here probably have some sort of streaming service, and cable, fortunately or unfortunately, may be going the way of the dodo bird.

Are we actively seeking out this opportunity? There is a lot of money being spent by these companies.

MR. BERNIE MILLER: Through CCH support, about \$238,000 per year goes to Screen Nova Scotia. That is the party that advocates for and promotes the industry as a whole and is thinking strategically about how we can use our competitive advantages here in Nova Scotia.

As your question raises, there is significant disruption in the global industry. The consumption patterns for screen media are totally different than they were 10 years ago. The introduction of new players - the ones that you've mentioned - have significantly disrupted the industry, but the net impact of that is that the demand for content has never been higher. The strategic focus of Screen Nova Scotia - we as government don't dictate to them where to focus their attention, but we certainly want to collaborate with them to increase the strategic competitiveness of Nova Scotia.

It would be our view that they have the lead in determining where Nova Scotia industry can succeed in a rapidly-disrupting industry. My own view from the Department of Business policy point of view would be content creation, or a different kind of content creation. Digital media, which we haven't gotten into, is something again where there is tremendous potential. NSBI's role would be in promoting export growth, regardless of specific industry developments.

MR. MAGUIRE: I do hope that the department is working with the stakeholders here in Nova Scotia, and with Screen Nova Scotia, to actively seek out some of those opportunities. Like I said, there are a lot of numbers being thrown around out there.

While we're on numbers, I must admit that the general public - when I have this discussion - become confused, because everybody has a set of numbers on the economic impacts of the film industry. Forgive me for not knowing the difference here, or maybe you could shine a light on this - what you said earlier about the difference between production spending and economic activity - I think when we start getting into that, the public in general gets confused. Please explain the difference between production spending and economic activity.

MR. BERNIE MILLER: The GDP impact - which in our case is less than 1 per cent of the province's GDP - would be the total value of goods and services, direct and implied and imputed from the production activity. The starting point would be volume of production activity and then based on that data, economists would forecast what the total impact on GDP is. In Nova Scotia's case, the film industry is less than 1 per cent of our total GDP, but very important to those in the industry.

MR. MAGUIRE: Just interrupting right quick - does that include Smith's Bakery that provides goods? Are you including hotel rentals, car rentals, the local mom and pop shop, the antique store? That is something that tends to get - I mean there is an impact on small businesses and there is an impact on local shops when a large production, in particular, comes to town and introduces new money into our economy and that goes directly into the hands of local mom and pop shops. Are you including that?

MR. BERNIE MILLER: Yes, that is included in the calculation. Film alone would be 0.15 per cent, just film itself, but when you then add in the other impacts we're getting close to 1 per cent of provincial GDP.

MR. MAGUIRE: What else would you equate that to?

MR. BERNIE MILLER: Any enterprise or group of enterprises that have a volume of activity in the \$100 million range would be having the same impact, or similar impact.

MR. MAGUIRE: That's it for me. I have about 10 seconds, so we'll put it back to the Progressive Conservative caucus.

MR. CHAIRMAN: Okay. Time has just about expired. We'll move back to the PC caucus. Mr. Houston, for 10 minutes.

MR. HOUSTON: It's interesting that much of the discussion, certainly some of the discussion is around it seems like the department's desire to build a cultural enterprise. That may be admirable, but I'm really talking about saving an industry and growing an

industry. As a Department of Business, I would like the focus to be as well jobs - creation of jobs, creation of economic activity, bang for the investment that's made.

You've been asked a couple of times about the employment numbers and how many people are working, and are less people working or more people working. Even the Liberal caucus asked the question and there's no answer from the department, so it doesn't seem like that has been a focus of the department, and I think it should be. I think it should be a focus of NSBI as well.

You also implied in your comments about the foreign service productions going elsewhere, but you are kind of okay with that - and I'm not okay with that. I want that investment here in this province generating further economic activity, when we're spending as much money on the incentive as we did before but things aren't even close to where they were before. The department should be looking at what are we doing, why are we doing it, and how can we make it better.

The minister indicated oh, I'm open to having chats and you indicated this morning you continue to listen and are open to suggestions. Has the industry asked for a larger pot for the incentive, or have they just asked for changes to the incentive? And the second part to that would be, have you made any?

MR. BERNIE MILLER: We're two and a half years into the existing program. We had what I would characterize as the year of adjustment and now we have two years of data, 2015-16, 2016-17, where we see some positive trends. However, we do want to, and part of the thinking behind the creation of the fund was adjusted as appropriate and there is a scheduled review in 2020-21 in order to do just that, to make the appropriate changes to continue to build the industry.

On the first part of your prologue, a very fair observation - I guess where the Department of Business would come at it is that we do want to make our investments wisely because we do have limited resources. We want to have not only the immediate impact, but the long-term impact for the industry. When Nova Scotians own the copyright of the production, when Nova Scotians are the writers, the producers, the directors, the principal actors, in our judgment - and you are obviously entitled to different judgment than the judgment we bring to it - there's a better net benefit to Nova Scotia.

In an area of limited resources, although foreign service productions are valuable - in comparing net long-term value to the province, there'd be a view that building Nova Scotia copyright ownership, building Nova Scotia Indigenous industry, will not only have an episodic impact when people come to the jurisdiction and leave, but it will have a longer tail on it and it'll be for the longer term benefit attraction and retention of youth, et cetera.

MR. HOUSTON: So I guess these are the seven most fearful words in the English language: I'm from the government and I'm here to help. What I'm hearing from you is

that the department knows better than the industry. The department is trying to move our Nova Scotia industry to some place where they want it to be. It doesn't matter what the industry wants, this is what the department wants to do. The department can talk all it wants about what the program was designed to do or what the program will do, but the reality is that we have unintended consequences today that need to be dealt with. Banning smoking indoors, that wasn't designed to litter the streets with cigarette butts, but that's what it did.

[10:30 p.m.]

So when you have unintended consequences staring you in the face and the industry - you're talking to the industry about changes that they want to see made. Are you saying in 2021 maybe that discussion can really happen in earnest, and in the meantime, we can talk a lot back and forth about some of the changes, but nothing will be done until 2021? Is that what I just heard?

MR. BERNIE MILLER: That was not the intention of my remarks. The intention of the remarks is to continue to work with the industry to build competitiveness. If that includes focusing on talent development, focusing on infrastructure, we're very interested in having that discussion. The incentive is one aspect of it.

On the question of, we're from the government we're here to help, that's certainly not the framework we bring to it at all. The industry, obviously, has an interest and a very important interest, and they also have industry knowledge. There's also the public interest that needs to be weighed into that, and the public interest comes back to the question about choice of use of limited resources, and evaluation over the long term, what's the best investment for Nova Scotia?

So, it's not our intention in any way to come with a sense that we have all the answers or any of the answers, but to bring a frame of reference that recognizes the interest of the industry and aligns, as much as possible, our policy objectives with the interest of the industry and Nova Scotians more broadly, so that we're getting effective long-term impact as a result of our choices.

MR. HOUSTON: A couple of questions maybe you can just answer for me. The industry has asked for the creation of an equity investment program, \$2 million a year. It's not in the budget - is there any intention to move forward with any type of equity investment program?

MR. BERNIE MILLER: In the current year, we haven't determined that we would re-introduce an equity program that is precisely the same as what existed before. What we have indicated to the industry, and what I'd indicate to you, is one of the areas of focus for our broader strategy is to increase the rate of enterprise growth in Nova Scotia, including film enterprises. If we can help start-ups, if we can incent people to build businesses, and become entrepreneurial, and create value in that way, we're very open to having those

discussions. If part of that includes early stage funding akin to venture capital-type funding, where you receive it at the early stage but once you've become mature, you don't rely on it, that's a discussion we're prepared to have, but there's nothing in the current year budget that would have a reintroduction of an equity program.

MR. HOUSTON: It's interesting that you quote the statistics of the industry, Nova Scotia having 1 to 2 per cent of the industry and you're taking action based on that. It would be interesting to see what percentage of the IT industry we have here in Nova Scotia, because it doesn't stop Innovacorp and everyone from making big investments in that, right? The government needs to get on the same page with that stuff, I guess.

What I would like to know is, are you able to tell me today what was the actual production volume for 2017-2018? NSBI should have that from all the reports that people file. Do you have the actual - we talked about some theoretical numbers going forward?

MR. BERNIE MILLER: 2017-2018?

MR. HOUSTON: Yes.

MR. BERNIE MILLER: I have the CMPA number which is. . .

MR. HOUSTON: NSBI should have the way that the fund operates with the reporting and stuff - you should have an actual number, I would think.

MR. BERNIE MILLER: Yes, it's \$102 million for the year.

MR. HOUSTON: For the year ended?

MR. BERNIE MILLER: For the year ended 2017-2018.

MR. HOUSTON: Okay. We did have some talk about what's going on in Ontario and B.C., and how the industry has some success because of the clusters of infrastructure that they have available to them. You use that as a reason why their industry is trending up and ours is really not, but we were building a cluster here. We were on our way to building clusters here until the foot got stuck and the runner got tripped. Do you accept that we were building mass, that we were building a cluster? Or do you not accept that?

MR. BERNIE MILLER: I do accept that the CMPA reported that we had a 200 per cent year-over-year increase in foreign location service production, from a \$12 million to a \$39 million proportion of our production. That would tell me that we still have growth and opportunity.

In terms of our niche - identifying what our strategic competitive advantage is and filling that - I do believe we have a cluster, but it's not the same cluster that Ontario or B.C.

have, and no matter what we did, it never will be. That's not saying anything other than describing the size of our jurisdiction, the proximity of our jurisdiction, the history of the industry, and where we bring unique advantages that they don't have.

MR. CHAIRMAN: Order. Time has expired. We will move to the New Democratic Party Caucus. Ms. Roberts for 10 minutes.

MS. ROBERTS: I want to go back to your comments about labour and employment. As I understand your comments, you are saying that we have almost recovered, that we're not quite back to where we were in terms of a ten-year average, but you think we are getting close.

I am confused by that because while in the Witness Submission Package, on page 11, it shows "Direct FTEs employed in and from television production in Canada, by province and territory." There does seem to be recovery from the low year of 2014-2015, and indeed, a greater number than 2015-2016, according to this.

We have numbers from ACTRA, IATSE, and the Directors Guild, where there was a plummet in 2015, a slight recovery in 2016 - which, as you, yourself, pointed out, may have been a lag effect of productions that actually were incented through the film tax credit, but were scheduled for later - and then again, a descent in 2017.

I don't see recovery in those three groups, so I am wondering who you are talking about. If you are saying our labour numbers are up, who is working that you are referring to that is not represented by ACTRA, IATSE, or the Directors Guild?

MR. BERNIE MILLER: I guess it would encompass everyone else who isn't in those groups, assuming that that data is accurate. The data that underlies my comment was the most recent CMPA data, which CAVCO feeds into.

To give you the precise numbers in the CMPA report - in 2012-2013, the total FTEs in Nova Scotia was 930; in 2013-2014 it was 1,160; in 2014-2015 they report 620, but we don't accept that that's an accurate number, because the number was higher in that year. In 2015-2016 it was 760; and 2016-2017 it was 880. So, it hasn't resumed to the 2012-2013 number of 930.

If we use that as an average year, take the total average going back 20 years, just for rounding purposes, we'd say 1,000 FTEs would be a standard to strive towards. In 2016-2017, we were at 880 in FTEs, but trending upwards from 760.

MS. ROBERTS: Well again, ACTRA, IATSE and the Directors Guild are not trending upwards. Do those numbers from CMPA include animation?

MR. BERNIE MILLER: My colleague is pointing out part of the distinction to me. CAVCO is kind of the big picture, the global numbers. What they do is a calculation of FTEs using standard industry numbers, based on the investment in the industry, so there are certain assumptions that underlie the CAVCO numbers.

The numbers you are quoting would be directly from the parties so that's most likely the explanation for the discrepancy.

MS. ROBERTS: Can you give me a yes/no as to whether the CMPA numbers that are reported here, do they include animation?

MR. BERNIE MILLER: I think we'll have to undertake to get back to you on that.

MS. ROBERTS: Okay. I would point out that I think it's not entirely accurate to say that these numbers, which I do have in front of me, show that we're almost back. So 2016-17 they have 880. In no year from 2007 and 2008 - which is when these numbers are presented here - in no year were the numbers lower than in 2012-13, which was 930. In 2008 and 2009 it was 1,600, in 2013-14 it was 1,100. So 880, we're still a ways back.

MR. BERNIE MILLER: That's correct, we are trending but we haven't achieved the levels - the lowest level was 930, so a 50 FTE difference, so your comment is accurate and I agree with it.

MS. ROBERTS: I think I wouldn't even hazard to call that a trend.

To go back to the question I asked before my time elapsed last time, is there a labour incentive that would work for the Department of Finance and Treasury Board? What I've really heard is that we're spending as much money now as we did before, but we have fewer jobs. The problem with the Film Tax Credit as it existed was that it was a pain for the Department of Finance and Treasury Board. They didn't know what our liability was under that program because, as you said, it was back-ended.

Is there a direct labour incentive that would work, that would allow us to get back to the numbers and allow these groups - ACTRA, IATSE, the Directors Guild - to see the boost that they have not seen since that tax credit was eliminated?

MR. BERNIE MILLER: I'm not in a position to speak for the Department of Finance and Treasury Board so I can't comment. I would say we are 2.5 years in and we'll continue to maintain our lines of communication and dialogue.

The additional point I would make is that the industry itself - when we were talking to them about the fund - expressed a preference for dealing with the Department of Business or the Department of Communities, Culture and Heritage. When we look across Canada, the lead department for the film industry is often a business-related department or

an economic development department or CCH, rather than a finance department. So the industry did have an interest in not having Finance and Treasury Board run the program.

MS. ROBERTS: I think the dislike was mutual. So you suggested that the equity fund wasn't targeted sufficiently to support start-ups but we know that it was a small amount that really helped the industry. Some of the players that people would know that accessed that fund include Thom Fitzgerald and *Trailer Park Boys*. Why should it be more targeted? Certainly if there's a need for it to be more targeted can we just get on that and create it ASAP?

MR. BERNIE MILLER: We do think there are points at which companies become mature and they develop a value, maybe not in their specific production companies but in their holding company or their parent company, and in terms of those cases it's not matching objectives and need.

In terms of the overall objective, and it happens in the venture capital world - one scenario is that private sector funding is leveraged and if the province were able to provide some seed money that other industry participants, particularly those that have been successful in the industry, wanted to contribute to, there's certainly discussions we could have about creating an arm's length fund that is seeded by government but leverages private sector money.

[10:45 a.m.]

In the case of venture capital, that's precisely how our indirect financing programs work. For example, the province commits a number - I won't state a number because it depends on the sector in the industry - and then the fund manager goes out and leverages other money to create a greater pool of equity.

MS. ROBERTS: As I recall from the conversations around the time of the change, in fact, that was part of the function of the tax credit that was axed.

MR. BERNIE MILLER: Yes, and the Eastlink fund would be another equity program of private money that is able to be used for that purpose.

MS. ROBERTS: I have less than a minute. The 1.5 per cent bonus for Nova Scotia principal actors - has a production accessed that?

MR. BERNIE MILLER: Yes they have.

MS. ROBERTS: Thank you.

MR. CHAIRMAN: Thank you. The time has just about expired. We'll move to the Liberal caucus and Mr. Maguire.

MR. MAGUIRE: Just one last question and then I'm going to pass on to my colleague. We hear a lot of talk about incentives and money and jobs, but the number one question I hear from people in the industry, and I guess I'd like to hear an answer to that today - the number one question I hear and rightfully so is, why the change?

MR. BERNIE MILLER: That is a very fair question. It does come back to context and the fact that the province was facing persistent fiscal deficits and the Film Industry Tax Credit was open-ended and back-end loaded and it was a multi-year commitment for which there was no line of sight. So the liability in a particular year could come in and be way beyond what any government - this government or any future government - could have any control over.

Primarily the shift to a fund introduced a program in which there could be forecasting and there could be certainty. Then the other aspect would be accountability. Because the Film Industry Tax Credit was a tax measure, it carried with it a confidentiality provision that goes along with taxes. But in effect, even though it was called a tax credit, it was a grant. It was a grant being made to industry but because it was done through the tax code, it was not visible to the taxpayers.

The additional benefit of the fund is just like the other programs that NSBI operates - it is subject to full transparency and public disclosure. It's clear that the old program was much more opaque and could not be disclosed clearly to the public, so the public had no idea which productions were accessing public money and what the benefits or losses would be associated with that.

To summarize, the fund is better to forecast. A fund was being used in Alberta and seemed to be a good model, Alberta has 4 per cent of the national industry. It didn't have the risk of subsequent year impacts on forecasting and budgeting, which would have an adverse effect on core services of government.

MR. CHAIRMAN: Thank you. We will now move to Mr. Jessome - you have about seven and a half minutes.

MR. BEN JESSOME: There are several jurisdictions throughout Canada that have some type of film incentive program. There are two of them nationally that have managed to enable a surplus budget. We are one of them. I say that because we have a responsibility to manage the funds of all Nova Scotians to the best of our abilities. With that said, we have a responsibility to try and make investments strategically in ways that support every industry, and the film industry is no exception to that rule.

There have been several examples of things that have been highlighted here this morning and programs that I know exist, and I believe that I'm clear - the Department of Business, Nova Scotia Business Inc. is continually committed to working with the film industry to try and develop, enhance, and sustain the industry here in Nova Scotia.

I'm wondering if you can talk about some of the workings of the programs that exist - for example at NSBI or labour, what have you - that would complement the work of the film industry in an effort to demonstrate government is willing to be as supportive as we have the practical ability to do?

MR. BERNIE MILLER: I'd be happy to do that. For film producers, an important component of their business is to get a distributor and distributors are often outside the jurisdiction so they need to export or travel to do that and for two years in a row, film enterprises are in the top five of sectors using NSBI's Export Growth Program. So 22 companies were applied and approved for support in the Export Growth Program last year.

There would be other supports through, you know, the work of Ms. Wood and her colleagues, aligning other supports that are available to the film industry as a strategic sector. Programs like the Graduate to Opportunity program would be one where if you have the threshold requirements met, there are opportunities to participate in that program. So, they have full access to all the small business development programs that are available through NSBI and other government programs.

MR. JESSOME: Okay, thank you, and I'd just like to mention that I've taken the time to meet with a number of people in the industry who live in my riding, who have expressed I guess, the ups and downs of the industry and I'm very grateful for the opportunity to be able to do that. I'm also very grateful that because of the passion they've demonstrated to me and the importance that it is to their families, that government is doubling the investment in the industry in this year's budget.

As the representative working with the Premier on the youth file, I'm curious if there are any programs or if there is any consciousness to attract and retain, I guess, the next generation of film workers for the Province of Nova Scotia.

MR. BERNIE MILLER: Yes, when we look across jurisdictions and we talk about competitive things government can do or support that will improve competitive advantage, education, training and development is one of them. So, programs through NSCC could very much build the skill sets necessary in order to meet this dramatically changing environment for film production, content production.

One thing we could do, and we'd certainly invite and have further discussions with industry about, is how we can make sure there's a pipeline of talent. Some jurisdictions use that as a competitive advantage to their education and training programs. Through the film fund, one of the Nova Scotia content incentives was to induce or encourage producers to hire Nova Scotia trainees. A graduate of a recent program from NSCC would be incented through this program to be attached to a production that may just be a foreign service production that's coming to Nova Scotia, but if they're meeting their principal actor requirements and they hire a couple of Nova Scotia trainees and film 75 per cent of their

production in Nova Scotia, that's going to create a valuable career experience for that young person.

So I think we need to continue to think creatively about how we can do things other than just direct financial incentives to producers, to build the industry. The direct financial incentives to producers are certainly a piece of the puzzle, but talent, youth retention and attraction training would all be part of it.

MR. JESSOME: That's excellent to hear, thank you. I've only got a couple of minutes, but I guess I just wanted to highlight that there has been an obvious amount of discussion around the changes within the industry, but I think that it's important to highlight that we continue to maintain our relative share of the production being done in the nation. It's clear to me that there is a relationship that exists out there between government and the industry, and there is an intention to continue to work together with the best interests of the industry in mind.

My hat goes off to the department, and my hat goes off to the people working in the industry. That's all I have to say now.

MR. CHAIRMAN: Are there any further questions? Hearing none, the time has expired. We don't have time for closing comments today. I would like to thank the witnesses for appearing and answering our questions.

We have one piece of correspondence from the Department of Environment regarding information that was requested at our February 14th meeting. Does anybody have any questions or comments on that correspondence?

Hearing none, our next meeting is on April 25th where we will have the Department of Health and Wellness, and the Nova Scotia Health Authority as witnesses to discuss mental health strategy.

This meeting is now adjourned.

[The committee adjourned at 10:56 a.m.]