



CFTPA
*Representing television, film
and interactive production in Canada*

ACPFT
*Porte-parole de l'industrie de la production
cinématographique, télévisuelle et interactive au Canada*

PRESENTATION BEFORE THE STANDING COMMITTEE ON FINANCE

PRE-BUDGET DISCUSSIONS 2004

November 23, 2004

Good evening and thank you Mr. Chair and members of the Committee for inviting me to appear before you today. My name is Guy Mayson and I am the president and CEO of the Canadian Film and Television Production Association. The CFTPA is a trade association that represents almost 400 television, feature film and new media production companies across Canada.

The CFTPA values the opportunity to participate in the public consultation on the Federal Budget and appreciates the Committee's continuing efforts to consult with our industry on our current priorities.

We are encouraged by the Government's goal, as outlined in its October Throne Speech, to *"...foster cultural institutions and policies that aspire to excellence, reflect a diverse and multicultural society, respond to the new challenges of globalization and the digital economy, and promote diversity of views and cultural expression at home and abroad."*

Canadian film, television and new media producers are poised to continue playing a key role in the push towards this goal. Over the past 10 years, the film and television production sector has become one of the major success stories of government policy.

Due to an effective combination of creative talent, entrepreneurial skill and enlightened government policy, the independent production sector has become a significant growth sector in the domestic economy and a growing provider of export dollars:

- Since 1994, total production activity has steadily increased, reaching \$5 billion in the 2002-2003 fiscal year.
- Of the \$3 billion brought in by Canadian content production last year, two-thirds is generated by independent producers.
- We have seen over 134,000 direct and indirect jobs created: most of these jobs are highly skilled technical and creative positions.

I have brought copies of *Profile 2004*, our annual industry report, for the Committee's reference, to provide further details on the production sector's performance.

Government support for film and television production continues to play a critical role in the industry's growth, and a long-term public financing commitment is an indispensable part of the funding mix.

It is crucial to protect all federal programs that support the production of Canadian films, television programs and new media works from budget reductions in the context of the current expenditure review exercise. The cumulative effect over the next few years of a fixed percentage cut applied equally across the Canadian Heritage portfolio, particularly the Canadian Television Fund, Telefilm Canada, the Canadian Broadcasting Corporation and the National Film Board, will be particularly devastating with regard to the creation of Canadian content.

In real terms, cuts to federal support programs for our industry would mean a considerable loss of jobs for creators and a significant drop in the number and quality of Canadian content productions that are made each year.

Financing Canadian content is getting harder and companies need a range of financing mechanisms to ensure a critical mass of production. We have begun the collection of data for Profile 2005 and we are seeing a further slowdown in production levels both in domestic production, and foreign location shooting.

We've identified 5 key priorities which would offer an opportunity for the Government to take immediate steps to improve the climate for corporate stability and growth in the independent production sector.

The first priority deals with increasing the return of the federal film and television production tax credits. Let me explain. There are two systems of tax credit for film and television production. The *Canadian Film or Video Production Tax Credit* (or the CPTC) exists for productions which meet high levels of Canadian creative and technical content and are produced by Canadian controlled companies. The *Film or Video Production Services Tax Credit* (the

PSTC) is designed primarily to encourage the use of Canadian labour for foreign production in Canada.

Following the government's February 2000 Budget announcement to simplify and strengthen film and television tax credits, a simplification package for the Canadian content tax credit was negotiated between industry and government. The package included the elimination of a number of administrative inefficiencies, as well as a 2% increase to the tax credit rate, from 25% to 27% of eligible labour expenditures.

In February 2003, the tax credit rate for the PSTC was increased by 5 points, from 11% to 16% of eligible Canadian labour expenditures.

All elements of the simplification package for the Canadian content tax credit were implemented in November 2003, except for the increase in the rate.

The government must help maintain the incentive gap between the Canadian content and the production services tax credits. This means that it should implement the 2% increase of the Canadian content tax rate. It also means that while the production services tax credit rate could be maintained at its current level, its base should be broadened to cover all Canadian expenditures, and keep the incentives competitive with other countries.

Our next major priority is the renewal and revitalization of the Canadian Television Fund. The CTF funds over 40% of independent English language television production and over half of French language. The current level of contribution to the Fund is confirmed until April 2006. It is imperative that the government's contribution to the Fund be renewed on a long term basis in order to ensure the Fund's objectives and those of the government can be fully realized. Renewal would be, at a minimum, at the same level as it was previously renewed, that is, at least \$100 million annually, adjusted according to the level of demand on the Fund.

In addition to the long-term renewal of the CTF, we ask that the government provide the CBC with sufficient long term funding to pursue its unique programming mandate and allow it to withdraw from CTF participation. Such funding would reduce broadcaster competition for CTF funds while reaffirming the government's support for the CBC. This new funding for the CBC should be reserved for program production exclusively commissioned from the independent production sector.

The renewal of the Canada New Media Fund and the Canadian Culture On-line Program is also one of our priorities. The goals of the Canada New Media Fund and the Canadian Culture On-Line Program are to increase the production of Canadian content for interactive platforms, including the Internet, to encourage greater access to such works both domestically and internationally, and to promote the overall development of the new media industry in Canada.

It is crucial that both these programs be renewed on a long-term basis and that the resources allocated be substantially increased, particularly the resources to the Canada New Media Fund, to meet the demand for interactive content.

Also on our list of priorities is the renewal of the Canada Feature Film Fund. This Fund is an important instrument for Canadian feature film producers for achieving the objectives of the Feature Film Policy. Administered by Telefilm Canada, the Fund provides annual direct public assistance of some \$80 million in support of Canadian feature film development, production and marketing.

The Canada Feature Film Fund is due to be evaluated over the course of 2005. We ask that the Fund be renewed long-term with increased resources, in order for it to meet and exceed its stated objectives.

Our fifth major priority is the improvement of corporate financing mechanisms for production companies. The challenges posed by the current tax credit program design and the CTF renewal underline a serious weakness in our current financing system: the lack of access to financing vehicles such as loans, lines of credit, venture capital and equity investment.

We urge the Committee to recommend that the Government look seriously at ways of improving the financing of production companies as well as cultural industries generally. The government needs to work with industry to look at new and innovative ways of attracting private investment on a corporate level to the film and television industry as well as facilitating improved access to bank financing and lines of credit.

In conclusion, it is clear that the film and television production industry is an important part of the economy. Support for our sector is a good investment in the future of the cultural and economic life of our country and the energy and creativity of our youth. We believe strongly that our industry has a growing ability to contribute to the quality of economic and cultural life of all Canadians, and is providing expanding opportunities for Canadians to succeed.

Thank you for your time. I would be happy to respond to your questions.