



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

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

April 18, 2006

The Honourable James M. Flaherty
Minister of Finance
Department of Finance Canada
140 O'Connor Street
Ottawa, Ontario
K1A 0G5

Dear Mr. Flaherty:

Thank you for providing us the opportunity to share our views as you finalise your government's first budget. The purpose of this letter is to outline the actions that your government can take to put Canadian independent television, feature film and interactive media producers on a path to a more productive future.

The CFTPA is a non-profit trade association representing some 400 Canadian production companies involved in television, film and interactive media from coast to coast. Producers are entrepreneurs of small and medium-sized companies and the employers of thousands of Canadians. They are the creators of a considerable volume of intellectual property each year and they make up a key part of the new technology economy. On the whole, Canadian producers contribute significantly to Canada's economy, generating \$4.5 billion in production activity and sustaining 120,000 direct and indirect full-time jobs annually.

More than just their large contribution to the economy, Canadian independent producers play a crucial role in ensuring cultural diversity in the film, television and interactive media sectors and in helping to build a more cohesive and creative Canada in an ever growing media world of choice.

While there has been growth over the years for the industry as a whole, the situation is not as positive for the Canadian independent production sector. The independent sector is the only segment of the industry that has experienced a decline in the last number of years. This downturn is attributable in part to a major contraction in international markets, where the level of foreign financing available to Canadian producers has shrunk to less than half of what it was in 1999/00, as well as to licence fees from broadcasters and minimum guarantees from distributors that have not increased significantly over time, and to federal funding which decreases in real terms each year.

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Simply put, it has become extremely difficult for independent producers to find the necessary financing to produce Canadian content, and the situation has been getting worse for some time.

For more than 35 years, the federal policy strategy in support of the Canadian independent production sector has been one very much focused on stimulating the supply of Canadian content through the provision of project-by-project assistance. While this was appropriate for developing an emerging industry, it has not met expectations in terms of helping to develop a more self-sustaining sector. On the whole, independent Canadian production companies are still very fragile financially and they often work from one project to another hoping to survive long enough to make it to the next.

Independent producers are facing these harsh realities at a time when the demand for Canadian content has increased exponentially with the multiplication of screen choices available to audiences. Over the last decade scores of new television services have been licensed, megaplex cinema complexes have sprouted everywhere and, more recently, mobile-casting on cell phones and video iPods have rapidly gained favour with consumers.

The Canadian independent production sector needs a new federal strategy to more effectively overcome the formidable challenges it faces and to ensure that the support system is better balanced and more efficient going forward.

Towards a More Productive Future for the Canadian Independent Production Sector

While the multiplication of television channels and other delivery vehicles do present some opportunities for both traditional and new content, they also pose some new challenges. To help ensure the Canadian independent sector remains competitive, it is crucial to make sure a stronger and more responsive broadcasting policy and content support framework is put in place.

Independent producers need the federal government to begin placing greater policy attention on helping to improve the overall productivity of the sector and encouraging stronger corporate capacity. They need a revitalized environment if their businesses are to have any ongoing sustainable growth into the future.

A new national policy strategy needs to be adopted. One that focuses more on increasing the efficiency and competitiveness of the Canadian independent sector; ensuring better synergy between independent producers and the broadcasting system; promoting a fairer balance between those who produce content and those who operate in a highly regulated sector and have direct access to audiences; and advocating that each element in the system makes a significant contribution to building social and cultural cohesion and to promoting diversity in Canada.

One of the first key components of the new strategy must be to encourage an increase in the annual supply of Canadian independent productions in the television, feature film and interactive media sectors to a level more in line with the current demand. At the same time, this would help independent producers diversify risk and stabilize cash flow by making programs that span a large range of production categories.

There is also a need to promote a quicker transition to new technologies, such as high definition television and new online delivery options. These technologies are the future of our industry and taking advantage of them now will help ensure that we remain competitive well into the future.

With a view to implementing a more predictable financing environment over several years, the resource levels for the main federal support programs should be allocated for a minimum of five years.

On a more macro level, we believe that the federal government should take inflation into account when fixing the annual resource allocations to the three industries. The fact is, over time, all costs related to the development and production of television, feature film and interactive media projects increase while the real value of federal support decreases. In an environment where public resources are not indexed to the rate of inflation, the sector's ability to "keep up" with the rest of the economy is considerably hindered and it actually slides further behind. To have a chance of improving independent producers' positions and hopefully begin gaining ground, we believe federal support programs need to be indexed to the rate of inflation.

For these reasons we strongly recommend that, beginning this fiscal year, the current federal allocations to the:

- Canadian Television Fund be increased by at least \$95 million;
- Canada Feature Film Fund be increased by a minimum of \$75 million;
- Canada New Media Fund be increased by an additional \$15 million.

Another initiative that would greatly assist in helping to meet the growing demand for Canadian content would include:

- Raising the rate of the Canadian Film or Video Production Tax Credit from the current rate of 25% to 30%. It is also necessary to make this program more efficient and accelerate payments to recipients.

The financial initiatives noted above would provide much needed economic impetus for the development of a more solid independent production sector and would help encourage the creation of television, feature film and interactive media works from all regions of Canada.

Private Sector Investment Incentives

While direct federal assistance is crucial to maintaining a critical mass of quality Canadian content, it is also necessary to encourage greater private sector investment. As you may know, private investors have not traditionally been interested in investing in the television, feature film and interactive media industries given the high-risk nature of these sectors.

The Government of Canada could play a role in this area by introducing new incentives that encourage greater private sector investment. We would also need to explore ways of providing better access to institutional financing sources such as venture capital, corporate equity and loan/debt financing. This approach will help promote corporate growth and longer-term stability. And lastly, more effective ways of encouraging access to foreign markets would also be beneficial to building stronger independent production companies by improving access to much needed capital.

We would welcome the opportunity to discuss our proposals with you in greater detail.

Thank you in advance for considering these very important matters.

Sincerely,



Guy Mayson
President and CEO

c.c.: Ira Levy, Chair, CFTPA
The Honourable Bev Oda, Minister of Canadian Heritage