



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

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

**Submission to  
THE STANDING COMMITTEE ON FINANCE - PRE-BUDGET CONSULTATIONS 2008**

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***Executive summary***

Film, television and interactive media production is a capital-intensive industry, with significant profit potential in the long-term exploitation of intellectual property and distribution. Proper capitalization of production companies by way of diversified, stable and strong funding programs can help minimize corporate risks and increase future revenue potential.

The Canadian Film and Television Production Association recommends that the government help increase the competitiveness of the Canadian film, television and interactive media industry and foster a climate of sustainable growth, diverse expression and innovation, by supporting all federal programs that encourage the production of Canadian works.

The recent decision to cull a number of key industry initiatives without industry discussion or consultation is highly disturbing. The loss of the government's notional and financial support for the Canadian Independent Film and Video Fund, PromArt, Trade Routes, the A-V Preservation Trust and the National Training Schools directly translates into the loss of jobs, the loss of Canada's visibility abroad, the diminishing of Canada's international reputation, the loss of business opportunities for Canadian producers, the loss of tourism and immigration opportunities, and ultimately, the loss of business and investment revenues for the Canadian economy.

The long-term renewal of the Canadian Television Fund (CTF) may be characterized as one of the most urgent of the industry's needs given that the Fund is in its sunset year. The production sector is primarily comprised of small and medium sized enterprises in all regions of the country: the CTF is the primary vehicle for creating and sharing distinctly Canadian stories with Canadian and international audiences. Maintaining this public/private partnership, capable of leveraging other funding to productions, is, therefore, of utmost importance.

Dedicated tax credits for film, television and interactive media are instrumental in strengthening and growing the production industry. Tax programs such as the *Canadian Film or Video Production Tax Credit (CPTC)* and the *Film or Video Production Services Tax Credit (PSTC)* have proven to be effective forms of support for producers, and an efficient use of government funds when considering the return on tax revenues. We gratefully acknowledge the federal government's long-standing commitment to these credits which, through the years, have been a critical component in the growth of the industry.

### ***Introduction***

The Canadian Film and Television Production Association (CFTPA) wishes to thank the Chair and Members of the House of Commons Standing Committee on Finance for the opportunity to participate in its 2008 pre-budget consultations. We are pleased to submit our recommendations for increasing the competitiveness of the Canadian film, television and interactive media industry and fostering a climate of sustainable growth, diverse expression and innovation.

We value the opportunity to participate in the public consultation on the Federal Budget on behalf of the nearly 400 television, feature film and interactive media production companies across Canada, which we, as a national trade association, represent. Our member companies are significant employers of Canadian creative talent and assume the financial and creative risk of developing original content for Canadian and international audiences. In addition to their large contribution to the economy, Canadian independent producers are the creative and business force behind the production of quality Canadian content in the television, film, and interactive media sectors.

### ***Economic and Cultural Impacts of the Film, Television and Interactive Media Production Industry***

The film, television and interactive media 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. Between 1996 and 2003, total production activity has steadily increased, reaching more than \$5 billion, and has stabilized at that level in the last 5 years. Approximately half of total production activity is generated by independent producers.<sup>1</sup> Our industry has helped sustain almost 127,000 employment opportunities last year alone: most of these jobs are highly skilled technical and creative positions.

While the industry has flourished, the growth in production output has not been matched by increased corporate strength. As such, it is crucial to protect all federal programs that support the

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<sup>1</sup> *Profile 2008: An Economic Report on the Canadian Film and Television Production Industry*; CFTPA

production of Canadian films, television programs and new media works from budget reductions in the context of the current expenditure review exercise.

We fully support the Standing Committee of Finance's previous determinations with regard to Canada's arts and cultural sector, including the various ways in which the sector contributes to global economic competitiveness:

- urban areas with a strong arts presence tend to undergo community revitalization and urban redevelopment relatively more quickly;
- strong arts and culture tend to increase community identity and to favour demographic diversity, which help to attract and retain employees and residents;
- the arts and cultural sector generates substantial economic activity; and
- by helping to attract employees, the arts and cultural sector contributes to the development of new technology hubs and inflows of venture capital.<sup>2</sup>

We also fully endorse the Committee's previous determinations that the arts and cultural sector be provided with increased, predictable, stable and long-term federal funding, and that there be ongoing dialogue among all sector participants.<sup>3</sup>

In light of the Committee's traditional support for our sector, the recent cuts to a number of key industry initiatives such as the Canadian Independent Film and Video Fund, PromArt, Trade Routes, the A-V Preservation Trust and the National Training Schools are deeply disturbing. The loss of the government's notional and financial support for these initiatives directly translates into a loss of jobs, a loss of Canada's visibility abroad, a diminishing of Canada's international reputation, a loss of business opportunities for Canadian producers, and ultimately a loss of business and investment revenues for the Canadian economy, as well as tourism and immigration opportunities.

Equally disturbing is the decision to cut these programs without industry consultation or discussion to assess the economic and cultural impact arising from the decision, and without any commitment to replace them with equally beneficial funding mechanisms.

### ***Economic Realities***

Independent producers are facing 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 in Canada and abroad, and mobile-casting on cell phones and video iPods have rapidly gained favour with consumers.

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<sup>2</sup> *Canada: Competing to Win, Report of the Standing Committee on Finance*, December 2006; p.99

<sup>3</sup> *Ibid.*, p.106

The production sector is quickly adopting ever more sophisticated technology to keep pace with new media applications, digital broadcasting, and other industry demands. 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. This presents further opportunities for additional private market sources to balance government funds as well as provide new points of access to Canadian media products. Like any other business, production companies must be able to rely on long-term, stable, effective and predictable funding in order to properly budget and move forward on their projects, and develop viable business plans.

Canadian producers need a revitalized environment for their businesses to have sustainable growth. Programs such as the Canadian Television Fund (CTF) and the Canada New Media Fund that are slated to sunset in the coming year must be renewed long-term, with increased resources, in order for these Funds to help build a corporate environment that encourages the growth of Canadian production companies in order to supply competitive Canadian film, television and interactive media product to meet the growing demand from Canadian screens.

### ***Recommendations***

While it is exceedingly difficult to focus on a single priority in light of the importance of maintaining all funding programs, the long-term renewal of the CTF may be characterized as the most urgent of the industry's needs given that the Fund is in its sunset year. The CTF is the single most important initiative supporting distinctive Canadian television production and fostering a Canadian independent production sector. Since 1995, the Fund has contributed to the creation of more than 27,000 hours of Canadian television. This unique public-private fund has provided more than \$2.7 billion of financing, triggering the production of more than \$8 billion of Canadian television programs seen by Canadians and others around the world, and cultivating thousands of jobs in the Canadian television industry. Without the CTF, independent production levels would decline by as much as 40%, corresponding to the loss of over 15,000 direct and indirect jobs.

Broadcasters have Canadian content requirements and the CTF is the primary source for achieving them. The production sector is primarily comprised of small and medium sized enterprises in all regions of the country: the CTF is the primary vehicle for creating and sharing distinctly Canadian stories with Canadian and international audiences. Maintaining this public-private partnership, capable of leveraging other funding to productions, is, therefore, of utmost importance.

At the same time, dedicated tax credits for film and television are instrumental in strengthening and growing the production industry. Tax programs such as the *Canadian Film or Video Production Tax Credit* (CPTC) and the *Film or Video Production Services Tax Credit* (PSTC) have proven to be effective forms of support for producers, and an efficient use of government funds when considering the return on tax revenues. We gratefully acknowledge the federal government's long-standing commitment to these credits which, through the years, have been a critical component in the growth of the industry.

As the Committee may be aware, the aim of the CPTC is to support the production of high level Canadian creative and technical content that is produced by Canadian-owned and controlled companies. The PSTC on the other hand is primarily designed to encourage the use of Canadian labour on productions that are made by foreign production companies in Canada. Further enhancement of the CPTC tax rate, while maintaining an appropriate incentive gap with the PSTC, would encourage the production of harder to finance Canadian content productions of all genres and keep Canada on a level playing field with other jurisdictions competing for foreign production activity.

Film and television production is a capital-intensive industry, with significant profit potential in the long-term exploitation of intellectual property and distribution. Proper capitalization of production companies by way of diversified, stable and strong funding programs can help minimize corporate risks and increase future revenue potential. Financing must be available to help reduce the project-by-project approach that has characterized the industry to date and provide for better long-term development and corporate growth.

We believe that the government, by encompassing the above recommendations, including our main recommendation for the long-term renewal of the CTF, can move the production of Canadian content to the next level and position it for even greater growth and competitiveness.

The film and television production industry is an important part of the Canadian economy. Support for our sector is a good investment in the future of the economic and cultural life of our country.

We look forward to discussing the strategies outlined in this document with you during the consultation process and beyond.

Sincerely,

A handwritten signature in black ink, appearing to read 'Guy Mayson', written in a cursive style.

Guy Mayson  
President and CEO  
Canadian Film and Television Production Association