



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 by the

**Canadian Film and Television
Production Association (CFTPA)**

to the

**House of Commons Standing
Committee on Finance**

With respect to the

2010 PRE-BUDGET CONSULTATIONS

August 13, 2010

Executive summary

Independent producers have long played a fundamental role in Canada. A balance of progressive public policy and creative entrepreneurship will help ensure that independent film, television and interactive media production companies are properly capitalized and that the content they create is adequately financed in support of this role. Diversified, stable and strong support programs are fundamental to the industry's domestic and international success. The Government of Canada can play a fundamental role in helping to increase the industry's competitiveness and to foster a climate of sustainable growth, diverse expression and innovation.

To this end, the Canadian Film and Television Production Association's five main federal spending priorities would include:

- 1) Enhancements to the *Canadian Film or Video Production Tax Credit* and the *Film or Video Production Services Tax Credit* programs
- 2) Strengthened support and long-term renewal of the Canada Media Fund
- 3) The introduction of an international trade and investment program
- 4) Increasing the annual allocation to the Canada Feature Film Fund
- 5) Continued support for skills development

Introduction

The Canadian Film and Television Production Association (CFTPA)¹ is the national trade association that represents nearly 400 independent television, feature film and interactive screen-based media companies across Canada. We wish to thank the Chair and Members of the House of Commons Standing Committee on Finance for the opportunity to contribute to the 2010 pre-budget consultations on behalf of our members.

Independent producers have long played a fundamental role in Canada. They develop and produce entertaining programming that is seen by millions of viewers, employ more than 160,000 artists, technicians, and other cultural workers, and generate billions of dollars in economic activity in what is a very environmentally green industry. More than that, independent producers provide audiences with a distinctly Canadian perspective on our country, our world, and our place in it. They help foster Canadian cultural choices and they reflect the rich diversity of this country. Independent producers are dynamic trade and cultural ambassadors who actively showcase Canadian communities to Canadians and to the world. Federal public policy has long sought to promote the growth of the independent production sector and the content it creates in recognition of this important role.

¹ *The CFTPA will change its name to the Canada Media Production Association (CMPA) in the Fall 2010.*

The production industry experienced significant growth between 1996 and 2003, from some \$2.9 billion in production volume to about \$5 billion. However, industry growth has remained relatively flat overall since that time.

Government support for film, television and interactive media production continues to play a critical role in the industry's financial health. It is therefore critical to sustain federal programs that support the production of Canadian films, television programs and interactive works and to ensure that production companies enhance their corporate capacity and improve their competitiveness both domestically and internationally.

Recommendations

In light of the above, 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.

1) Strengthened support and design of the Canadian Film or Video Production Tax Credit (CPTC) and the Film or Video Production Services Tax Credit (PSTC)

The CPTC and the PSTC have proven to be effective forms of support for producers and efficient uses of government funds. 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.

Given the unrelenting downward financing trends in international markets, it is imperative to revisit these tax rates, enhancing the CPTC tax rate from 25% to 35% and of the PSTC rate from 16% to 26% 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.

In addition, producers are increasingly pressured by market forces and their project financiers to create and deliver content for non-traditional platforms, such as the Internet and mobile phones. As highlighted in a recent summative evaluation of the CPTC commissioned by the Department of Canadian Heritage, "producers are expected to use alternative platforms to deliver their productions, thus supplementing or potentially bypassing conventional broadcasting and distribution channels."²

² *Summative Evaluation of the Canadian Film or Video Production Tax Credit (CPTC)*, Office of the Chief Audit and Evaluation Executive, Evaluation Services Directorate, September 2008, p.79.

The need to review the design of the CPTC, and by extension the PSTC, to include new media productions is clear. In the report, the Department itself recognizes the timeliness of addressing various program-related design issues such as broadening the tax credit given that the CPTC's design has fundamentally not been modified since its inception in 1995³, while the production sector and distributions landscape have evolved considerably.

2) Strengthened support and longer term renewal of the Canada Media Fund (CMF)

The CMF plays a key part in helping to create and maintain a critical mass of quality programming to meet Canadian and international audience demand. Since 1995, the CMF (and its predecessor the Canadian Television 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 \$9 billion of Canadian television programs seen by Canadians and others around the world, and sustaining thousands of jobs all across Canada.⁴ Without the CMF, independent production levels would decline by as much as 40%, corresponding to the loss of over 15,000 direct and indirect jobs.

The CFTPA applauded the Government of Canada when it introduced the CMF as a replacement program for the CTF over a year ago, and gave it a new mandate to promote innovation in Canadian content creation and distribution with a view to providing Canadians with content across multiple platforms. The Government of Canada's contribution to the Fund is, however, slated to expire at the end of the current fiscal year. In addition, Government's annual allocation to the Fund has also not kept pace with the level of financial resources that are now contributed by the private sector, nor has it been increased to reflect the expanded mandate given to the CMF.

In order for the production sector to be afforded financial stability and allow stakeholders to develop multi-year business plans, it is of utmost importance that the Government commit to renewing its contribution to the Fund for a minimum of five years starting in April 2011 and to increasing the annual resources so that it mirrors the current contribution made by the private sector.

3) Introduction of an international trade and investment program

International co-production is an important cultural and economic contributor to the Canadian film and television industry. It is a mechanism through which Canadian and foreign producers are able to combine their creative, technical and financial resources in order to create high quality productions

³ Ibid, p.80

⁴ *Annual Report 2008-2009*, Canadian Television Fund

that reach audiences at home and around the world. Canada began to lose its competitive edge with the proliferation of foreign fiscal incentives and more flexible treaty rules and administrative processes for intra-European production. This has translated into a steady downward trend in our co-production activity since 2000; in fact, co-production activity in 2008 was just one-third of what it was 2000.⁵

In addition, foreign financing to Canadian certified television and theatrical film production has significantly decreased over the last number of years, dropping from \$407 million in 2001 to \$196 million in 2008.

The lack of private sector financing, including venture capital funding, is an overarching issue having a negative impact on the entire independent production sector. The future growth of the independent production sector hinges on our ability to leverage our home grown success to increase exports and capitalize on the opportunities available in foreign territories.

In light of the above, the creation of an international trade and investment program would be vital in order to inject much needed public and private sector funding into Canadian productions. This program would examine appropriate measures to attract private financing, establish a new policy framework for Canada's official co-production treaties to enhance their effectiveness and to include digital content production, create a new dedicated co-production fund, and launch a new export development program to assist producers in further penetrating foreign markets.

This new initiative would help develop, finance, promote and market the Canadian film industry to the world, while sustaining jobs in Canada, increasing business opportunities for Canadian entrepreneurs, promoting tourism and immigration opportunities, and ultimately, increasing business and investment revenues for the Canadian economy.

4) *Enhancing the annual contribution to the Canada Feature Film Fund (CFFF)*

Producers of Canadian English-language theatrical films face their own particular challenges. The chronic lack of financing for production and marketing has long been a major obstacle in this sector. For every seven feature films released in theatres in English Canada each year, only one is a Canadian film. Canadian films are simply not able to effectively compete against the US films that are so dominant in our theatrical market. If not for the implementation of the CFFF in 2001, the situation for Canadian theatrical films would be even bleaker. Since its inception, the CFFF has invested more than \$570 million in Canadian films, leveraging some \$2.4 billion in total financing and supporting many thousands of quality jobs.

⁵ *Profile 2009: An Economic Report on the Canadian Film and Television Production Industry*, CFTPA

Unlike the television sector, there are no regulations in the theatrical market requiring a minimum screen-time be reserved for domestic films. Further, the average production budget of a typical Hollywood studio film is 30 times that of a Canadian film. And for those relatively few Canadian films that are produced each year, there are often too few financial resources available to effectively market them.

The Government's commitment to enhancing its annual contribution to the CFFF would help address issues related to achieving a critical mass in our feature film sector and inject much needed funds towards the marketing of our high-quality films in Canada and abroad.

5) Continued support for skills development

The Government's commitment to enhancing and providing ongoing support to national mentorship and training programs is crucial to developing the high-quality skills of professionals in the independent production sector.

Skills development ensures that business and technological savvy are merged with creative skills and effective use of information.

Mentoring complements traditional training options by reinforcing the need to constantly innovate and update skills to boost business productivity and success. It also contributes to local and national communities, and ultimately help professionals succeed in the global knowledge economy.

Continued support of mentoring and training programs is crucial to expand the pool of trained professionals in the production industry, and to provide all Canadians with the basic skills needed to function in, and meaningfully contribute to, the national economy.

We believe that the Government, by implementing the above recommendations, can help position our industry for even greater growth and competitiveness. The film, television and interactive media 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.

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