



**CFTPA**

*Representing television, film  
and interactive production in Canada*

**ACPFT**

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

**THE CANADIAN FILM AND TELEVISION PRODUCTION ASSOCIATION**

Submission to  
THE STANDING COMMITTEE ON FINANCE  
PRE-BUDGET CONSULTATIONS

**8 September 2003**

The Canadian Film and Television Production Association (CFTPA) wish to thank the Chair and Members of the House of Commons Standing Committee on Finance for the opportunity to appear before it September 18, 2003. In advance of this appearance we are pleased to submit up to date information with respect to the industry, our short term priorities and outline our medium term priority with respect to fostering corporate health in the production sector.

## **Short-term priorities:**

### **1. The Canadian Television Fund**

We thank the Committee for its past support for the renewal of the Canadian Television Fund and we call on the Committee to urge the government to re-instate the previous levels. The Fund has been a unique public/private sector partnership supported by contribution from the cable and satellite industry, distributors, Telefilm Canada and Canadian Heritage, and overseen by a public private sector board. The fund plays an important cultural and economic role, ensuring the presence of high quality Canadian programming by providing vital production financing for distinctly Canadian content production. Television plays a key role in the cultural life of a country and the Government, to date, has been committed to encourage the presence of Canadian stories on the nation's television screens. An independent study of the CTF indicates:

- The CTF is the linchpin incentive to broadcasters and producers to create high quality recognizable Canadian content.
- The CTF is a major contributor to the development of a strong production sector in the country
- The CTF's 2001/02 contribution of approx. \$241 million generates well over \$800 million in production activity. This activity in turn supports over 16,500 direct and indirect jobs.
- CTF funded programming plays a huge role in encouraging production outside of the major production centres in Atlantic Canada (7%), in Prairie Provinces(8%) and in British Columbia (12%).
- Without the CTF, the financing model for recognizably Canadian programming would be destroyed.

The Fund is a great success. However, this past year indicated demand on the Fund greatly exceeded available resources.

The Government renewed its commitment for two years at a reduced level of commitment. We appreciate the indication of support for long-term but the Fund needs to be renewed for a longer term and at least at past levels (\$100 million annually).

Given future demand on the Fund and the high level of Canadian content required by CRTC licencing requirements, we believe strongly that the CTF Fund needs to be enhanced and renewed long-term.

## **2. Canadian content certified for tax incentives**

In Budget 2002 the Government restated it's commitment to solving the issues related to the Canadian Production Tax Credit.

A proposal that has been agreed to by the CFTPA and the APFTQ, as well as officials of the Departments of Finance and Canadian Heritage is currently working its way into the Minister of Finance's office for his approval. Although not an item for the new budget we request that this committee lend its support by encouraging the Minister to put the package into force as soon as possible so that productions in this fiscal year may benefit.

We would also ask the Committee to reinforce the importance of the tax credit as a corporate incentive designed to encourage corporate development.

## **3. Training and Mentorship**

The training/mentorship programme that CFTPA has been running for young people, aged 18 to 30 who wish to gain hands-on experience on the production side of the industry must be continued. The Government, through HRDC and DFAIT invest in two of the six programmes we administer. The other programmes are the result of investment by CTV, CanWest, APTN, and CORUS.

The objectives of each component vary but the results speak for themselves in our ability to provide trained human resources in all parts of the country in the elements of production for film, television and new media.

An industry that expects to grow and prosper must be able to meet the demands for skilled human resources.

## **Profile 2003**

The CFTPA is enclosing copies of our 7<sup>th</sup> annual industry profile, a report produced by the Canadian Film and Production Association, L'Association des producteurs de films et de television du Quebec (APFTQ), in conjunction with the Department of Canadian Heritage and in association with Nordicity Group Ltd.

This years edition includes data for the 2001/02 period and corresponds to the 12 month period April 2001 to March 2002.

This years edition includes provincial and territorial data for the CTF-supported production, indicators for the Canadian feature film production and non-CTF certified Canadian production.

Highlights of the 2003 edition:

- \$5.1 billion in total volume of film and television production – the same as last year.
- Of that \$5.1 billion, \$2.1 billion was in CAVCO-certified production; \$1.8 billion in foreign location production; \$973 million in in-house broadcaster production and \$308 million in non-CAVCO certified production.
- Ontario production increased by 1% to \$2.1 billion; Quebec production increased by 5% to \$1.4 billion; British Columbia production decreased by 7% to \$1.1 billion; the Prairie provinces production decreased by 4% to \$286 million and Atlantic Canada production increased by 3% to \$183 million.
- 53,00 direct jobs and 84,800 indirect jobs were generated by film and television production
- The export value of Canadian production decreased by 14% to \$2.3 billion
- Treaty co-production increased by 1% to \$793 million with the top co-production partners by volume of production being France, the United Kingdom, Australia and China
- Although film and television production spending was flat in 2001/02, real GDP increased by an annual rate of 4.9% in 2001. It appears that even as production spending slowed, production, distribution and post-production companies in Canada continued to increase their value added to the economy.

This year we have already observed that weaker demand in international markets for foreign production including Canadian production has reduced levels of foreign financing that helped support high-cost drama production in Canada.

Foreign location production in Canada is also experiencing increased competition from other countries. The impact will be reflected in Profile 2004.

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

## **FOSTERING A BUSINESS ENVIRONMENT FOR GROWTH**

Given the CRTC commissioned study on Drama, the Macerola report on Canadian Content and the Standing Committee of Canadian Heritage on the review of the Broadcast Act, the CFTPA has spent the summer examining the findings and is in the final stages of publishing a report for change. The reports have made wide ranging recommendations to stabilize and enhance the production environment.

The independent producers work with many stakeholders in Canada: creative and technical talent, broadcasters, signal distributors, film distributors, public and private funding agencies and the broadcast regulator, to name a few. But only one of these parties bears the brunt of the financial and creative risk of producing for film and television – the producer.

There is considerable mythology about the role of the producer. The reality is that the producer has become the lightning rod for the marketplace and financial pressures experienced by each of the other stakeholders. The result is a system in which the central player, the producer, is rapidly becoming marginalized.

This is particularly true of the English language producers of certified Canadian programming. The time has come to re-enfranchise independent producers by fostering a business environment in which the full potential of this sector can be realized for the benefit of Canadian audiences and the many stakeholders in the industry.

Some of the trends that concern the CFTPA:

1. Over the last 20 years, broadcasters have steadily reduced their average contribution to independent production budgets while receiving increased subsidy from the system.
2. The dominant, protected players in the system, i.e. – the broadcasters, have eroded the base from which independent producers derive their revenues, by extracting

greater rights for less compensation over time, and directly competing in the marketplace.

3. Funding agencies have effectively become the regulators over the independent sector as the unofficial mediators between producers, broadcasters and their own interests, but place low priority on the viability of production companies.
4. The least capitalized player in financing independent production is required to shoulder the highest financial risk. The tax credit system needs to encourage greater capitalization of companies.

These trends do not promote the growth of the small and medium-sized business enterprises in our sector. To reverse these trends and foster an environment in which the independent sector can flourish:

- Steps should be taken to encourage broadcasters to increase their contributions for independent production
- The funding and certification agencies should adopt as a priority the financial health of their client group by promoting accelerated cash-flow and returns by production companies. Funding sources that take equity positions in production should recoup their investments behind at risk private sector contributions, including those of the producer
- Canadian broadcasters and funding agencies should adopt as a priority the acceleration of paperwork and the flow of cash into productions, on a risk management rather than risk averse basis
- New measures need to be considered by government to encourage the creation of corporate financing mechanisms, to allow production companies to develop in a more stable financing environment.

The CFTPA argues that the business of independently producing in Canada has become unnecessarily dysfunctional and that a new model needs to be developed that will restore the *raison d'être* for independent production – creative excellence. This is because these small and medium-sized businesses currently operate in a business environment where underwriting, cash-flow and profits are in almost constant jeopardy.

The CFTPA looks forward to its appearance before the Committee and to talking about the adjustments needed to existing measures in the system.