CMPA
Canadian Media
Producers Association
Ottawa | Toronto | Vancouver

House of Commons Standing Committee on Finance
Pre-budget Consultations 2016

This brief is submitted by:

Canadian Media Producers Association (CMPA)

About CMPA:

The Canadian Media Producers Association (CMPA) is Canada's leading trade association for independent producers engaged in the development, production and distribution of English-language television programs, feature films and digital media. The film and television production industry in Canada is a significant one, contributing annually $7.5 billion to national GDP and sustaining 148,500 high-quality, full-time jobs.

The CMPA works on behalf of its 350 members across Canada to promote and stimulate the Canadian independent production industry. Our goal is to ensure the continued success and growth of our sector, and a more thriving future for the highly competitive screen-based content that is made by our members for both domestic and international audiences across all platforms.

The Association plays a very active and strategic role in presenting the priorities of its members to all levels of government as well as other stakeholders. We therefore wish to thank the House of Commons Standing Committee on Finance for the opportunity to make this submission in the context of the 2016 Pre-budget Consultations.

A message of thanks:

The CMPA wishes to thank the Trudeau Government for its significant funding commitments to our industry that were outlined in both the Liberal Party's election platform and the subsequent mandate letter presented to the Minister of Canadian Heritage. The Government clearly recognizes the cultural and economic importance of our industry to Canada and to all Canadians. We wish to express our most sincere appreciation for this recognition and for your unwavering support of our industry.

We look forward to making a meaningful contribution in the context of the public consultations that we understand will be launched in the near future with respect to CBC/Radio Canada, where we would hope a considerable proportion of its new funding be earmarked to support Canadian programming, and the Trade Routes program which will be instrumental in helping our sector maximize the export opportunities that exist in key international markets.

Critical factors underpinning our industry's financial health and competitiveness:

Before delving into a specific issue and recommendation we wish to share with you, we take this opportunity to highlight a couple critical factors that underpin the overall financial health and competitiveness of our industry and the content we create.

The first of those factors directly relates to the stability and predictability of the main federal programs in support of our industry: most notably, the Canada Media Fund, the Canada Feature Film Fund, the Film or Video Production Services Tax Credit (PSTC) and the Canadian Film or Video Production Tax Credit (CPTC). Briefly stated, it is absolutely essential that producers be able to count on these programs being there for them – and at the value they planned on particularly as it relates to the tax credits programs – when they are ready to go into production.

This need stems in large part from the fairly lengthy production cycle of the content we create. It typically takes between 12 to 24 months to negotiate and secure the necessary financing from a multitude of domestic and international sources in order to produce professional content. These financing agreements are complex and are often inter-related. And, the planning cycle for international co-productions can be even longer and in many ways more complex. Should any one of these financing sources fall through during this period, or be diminished, the effect is either a significant delay going into production while additional financing sources are explored and secured, or an outright collapse of the program's financing structure thus effectively eliminating the production altogether and the related jobs.

We would also point out the extreme competitive nature of the screen-based production industry worldwide and the fact that it is a highly mobile sector. Investors, and in particular foreign private sector investors, are able to quickly relocate their financial resources to any jurisdiction in the world that offers a more compelling and/or stable and predictable financial environment.

The second critical factor stems directly from the highly competitive nature of the production industry globally, and the resulting pressures this exerts on the finite public resources available in Canada.

We recognize that further public investment in the public support programs in our sector beyond what has already been committed is not likely a plausible scenario at this time. As such, we believe it absolutely necessary to explore and act on all possible avenues to maximize the efficiency of those public programs that currently exist.

Maximizing efficiencies of the PSTC and the CPTC:

In our view, the long-standing issue of producers having to interim finance the PSTC and the CPTC is such an area where we believe greater efficiencies can be achieved, thus enhancing the competitiveness of our sector and the content we produce.

Because of the nature and design of tax credit programs, a portion of the public expenditure under these programs is currently being siphoned out of our industry as a result of producers having to interim finance those credits through financial institutions. Producers need to interim finance those credits until those amounts are paid out by the relevant tax authorities, with the interim financing period being as long as 24 months. Based on our analysis, we estimate the diverted value to be somewhere between 5% and 10% of the current tax credit cost to the treasury, and this at current interest rates. As interest rates rise, as they are expected to do in the not-too-distant future, so too will interim financing costs and thus the total amount being siphoned out of our industry and the level of inefficiency.

The added capital that would become available to producers by addressing this issue – which would materialize as a result of a decrease in interim financing costs – could be put to better, more effective use. It could be used to increase the level of investment "on-screen" thus making our content even more competitive and/or to better capitalize production companies allowing them in turn to grow their businesses and create further employment opportunities.

Addressing this issue would not result in any increased cost to the treasury after implementation. While some would argue this would result in the state having to pay out significantly more in the first year of implementation, we would contend that this is a cash flow issue that would net out and stabilize over a couple years.

There appears to be openness on the part of federal government to work towards a solution to this issue with respect to the federal tax credit programs. In the Liberal Party's Supplementary Opinion to the House of Commons Standing Committee on Canadian Heritage's Report entitled Review of the Feature Film Industry in Canada (June 2015, 41st Parliament, Second Session), the Party recommended: "that the Department of Canadian Heritage, in partnership with the Department of Finance, consider moving ahead the payment of 75 to 85 percent of the tax credits meant to support the production of Canadian feature films." This commitment was reiterated in correspondence from the Liberal Party to the CMPA dated September 4th in response to our inquiries related to the Party's electoral campaign elements related to our sector.

We would highlight that addressing this issue both federally and provincially at the same time would have a compounding effect in terms of enhancing the overall efficiency of tax credit programs nationwide, thus freeing up even greater capital with which to grow the industry across Canada and/or to increase the competitiveness of the content we produce. A concerted federal-provincial approach to addressing this issue, therefore, would have an exponential positive impact in this area for the industry.

Recommendation:

We view the need to interim finance tax credits as inefficiency in the system, and one that could be addressed relatively easily through a system of accelerated payments.

We would therefore fully welcome a Budget commitment by the Government to work with the production industry towards finding an effective means to minimizing to the greatest extent possible the need to interim finance the CPTC and the PSTC, and to move forward on implementing that measure as quickly as possible.

I invite you to contact me with any further questions or comments on this or any other matter related to our industry.

Sincerely,

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