Submission by the
Canadian Media Production Association
(CMPA)

To

House of Commons
Standing Committee on Finance

Pursuant to the

2011 Pre-Budget Consultation Process

Friday, August 12, 2011

Executive Summary

The Canadian Media Production Association (CMPA) wishes to express its appreciation to the House of Commons Standing Committee on Finance for the opportunity to contribute to the development of the Government of Canada's next budget.

As the national industry association that represents leading Canadian independent production companies working in television, feature film and interactive media in the English-language market, we are fully committed to continuing to work with all levels of government and other stakeholders to stimulate job growth and business investment in our sector.

The independent production sector is extremely grateful for the level of support we receive each year from the Government of Canada. We also very much appreciate the public acknowledgement by the Government, and in particular by Minister Moore and more recently by Minister Flaherty, on the importance of arts and culture in generating economic growth, jobs and wealth in our communities.

The CMPA recognizes the challenging financial environment within which the Government must draft the next federal budget. Against this backdrop, we fully appreciate that one of the Government's primary, short-term goals is to restrain any new program spending. That said we believe that a very modest and precisely targeted additional public investment in our sector could help reverse significant downward trends related to international co-production activity, exports and employment. Through a concerted push to reverse these trends, we are confident that our sector can create more jobs and further increase the contribution we make to Canada's GDP.

We note that the volume of Canadian content production has plateaued over the last three years, and has decreased by 5.5% since the height of activity in 2006-07. Moreover, total employment has dropped from a high of 140,000 jobs in 2002-03 to 117,000 in 2009-10. Our annual treaty co-production activity has also decreased from a high of $859 million in 2000 to $460 million in 2009. The share of co-production budgets coming from foreign sources alone has declined by $150 million over this period. And, the export value of Canadian production has decreased from a high of $619 million in 1999-00 to just under $215 million in 2009-10.

The trends noted above underpin why the CMPA for several years has been highlighting the need for independent producers to work with the Government of Canada in developing an International Trade and Investment Strategy for our sector. We firmly believe that future growth of the independent production sector hinges on our ability to reverse the trends with regard to co-production, foreign financing and exports. In short, we need to place greater focus on the opportunities that exist in international markets.

We most recently recommended such an approach in the context of the Government's Digital Economy Strategy consultation. More specifically, we suggested the need to: i) implement a new official treaty co-production policy framework, ii) create a new $50 million fund dedicated to supporting official treaty co-productions, and iii) introduce a new export development program to assist producers in fostering effective and sustainable business relationships in key international markets.

We are extremely pleased that the Government is moving forward with a new official treaty co-production policy framework and that it is also currently negotiating a new co-production treaty with India. And, given the current financial environment, we accept that the timing may not be ideal to introduce a new $50 million program that is dedicated to supporting the creation of official treaty co-productions. However, with a small additional investment of some $2 million per year earmarked to a new Export Development Program for independent producers, we believe that significant gains can be made to attract greater foreign financing and to increase exports. Ultimately, we believe this small investment could lead to very positive results that could significantly increase our sector's contribution to Canada's GDP and create jobs.

As such, we recommend that the Government of Canada consider allocating $2 million to a new Export Development Program for independent producers in the 2012-13 federal budget.

Introduction

The Canadian Media Production Association (CMPA) is the national industry association that represents leading Canadian independent production companies working in television, feature film and interactive media in the English-language market. All Canadian-owned and controlled, our member companies number close to 400 across Canada. By independent, we mean that our members are not owned or controlled by any Canadian television broadcast entity or its parent company.

The CMPA wishes to express its appreciation to the House of Commons Standing Committee on Finance for the opportunity to contribute to the development of the Government of Canada's next budget. We congratulate the Committee for reaching out to individuals and groups to obtain input on primary budget issues, including how to attain high levels of job growth and business investment in order to ensure greater prosperity and a high standard of living for all Canadians.

We share these very goals. The CMPA is fully committed to continuing to work with all levels of government and other stakeholders to stimulate job growth and business investment in our sector. Our prime objective is to help position independent producers to more fully contribute to Canada's economic wealth and cultural diversity well into the digital age.

The independent production sector is extremely grateful for the level of support we receive each year from the Government of Canada. Most recently, Budget 2011 provided $100 million per year to the Canada Media Fund. This Fund, which was announced in March 2009 by the Minister of Canadian Heritage and Official Languages, the Honourable James Moore, is vital to helping sustain a critical mass of both high-quality Canadian programs in genres that are under-represented in our television system and innovative content for digital platforms.

We also very much appreciate the public acknowledgement by the Government, and in particular by Minister Moore and more recently by the Minister of Finance, the Honourable James Flaherty, on the importance of arts and culture in generating economic growth, jobs and wealth in our communities. We fully agree with Minister Flaherty's recent remarks in Mississauga, Ontario, "that supporting Canadian culture helps support the Canadian economy." Such public statements are a testament to the Conservative government's firm commitment to Canada's creative industries and to the independent production community.

The CMPA recognizes the challenging financial environment within which the Government of Canada must draft the next federal budget. While Canada indeed fared better than most leading countries during the economic downturn, the prospect of significant and sustained domestic growth going forward is not only uncertain but it is influenced by several international factors largely beyond our control. Against this backdrop, we fully appreciate that one of the Government's primary, short-term goals is to address Canada's current deficit and to restrain any new program spending.

The above said we believe that a very modest and precisely targeted additional investment by the Government of Canada in our sector could help reverse significant downward trends related to international co-production activity, exports and employment. Through a concerted push to reverse these trends, we are confident that our sector can create more jobs and further increase the contribution we make to Canada's GDP.

Before presenting our specific proposal, however, we first provide an overview of the independent production sector as well as certain relevant trends that highlight the need for action in this area.

Overview of the Independent Production Sector

Production companies are the entrepreneurial engine of economic activity in our industry. They find and acquire the rights to engaging Canadian stories. They raise the necessary financing from both domestic and international sources to develop and produce those program ideas. They negotiate all contracts, hire the entire cast and crew, lease equipment and facilities, and they secure all required permits to bring those productions to fruition. And, finally, they deliver the finished product on time – and, if everything goes according to plan, on budget – to a television broadcaster, distributor and/or other content aggregator. These latter three segments are then responsible for promoting and exploiting those programs on a multitude of screen-based platforms now available to consumers.

The production of feature films and television programs contributed **a total of $6.8 billion to Canada's GDP in 2009-10**. As shown in Figure 1, GDP generated by Canadian content production alone was close to $3.2 billion. This segment of the industry is larger than both the foreign location shooting and broadcaster in-house segments.

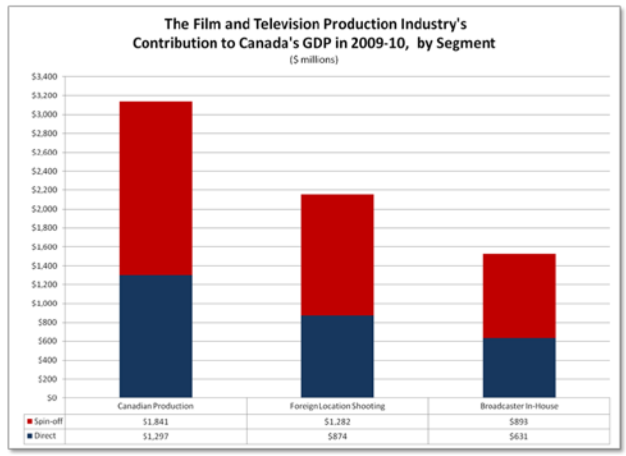

Figure 1: Profile 2010 -- An Economic Report on the Screen-Based Production Industry in Canada, 2010

It is interesting to note that the film and television production sector makes a larger contribution to Canada's GDP than do the computer and electronic product manufacturing sector ($6B), the air transportation sector ($5.7B) and the forestry and logging industry ($4.3B), to name just a few.

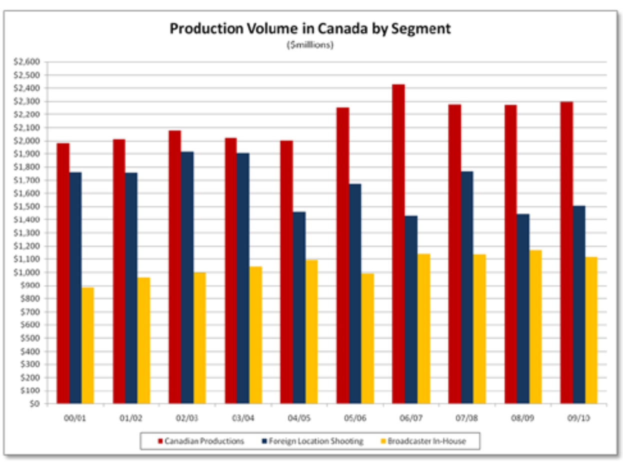

Figure 2: Profile 2010 -- An Economic Report on the Screen-Based Production Industry in Canada, 2010

Figure 2 shows Canada's annual film and television production volume over the last decade, by segment. We note that Canadian content production has plateaued over the last three years, and has decreased by 5.5% since the height of activity in 2006-07.

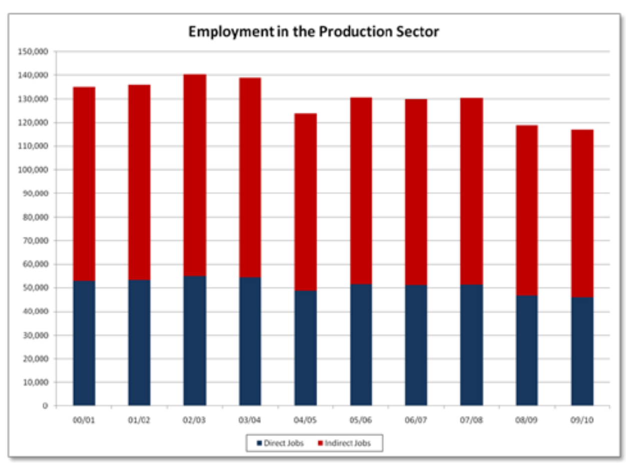

Figure 3: Profile 2010 -- An Economic Report on the Screen-Based Production Industry in Canada, 2010

Despite flat production volume over the last three years, total employment has been decreasing. As figure 3 shows, total jobs dropped from a high of 140,000 in 2002-03 to 117,000 in 2009-10. This represents a decrease of 19% since 2002-03, and a decline of 10% since 2006-07 when production volume was at its highest. The downward trend in jobs can be attributed to several factors. We highlight in particular a shift in the genres of production over the last number of years to reality and lifestyles programming, a type of programming that is typically less labour intensive.

The significant decrease in the annual volume of official treaty co-production activity over the last decade is another key factor that has undermined growth in the Canadian production sector and negatively impacted on employment. As Figure 4 demonstrates, Canada's annual volume of official treaty co-production has decreased by 46% since 2000, from a high of $859 million in activity to just $460 million in 2009. The share of budgets coming from foreign sources alone has declined by $150 million over this period.

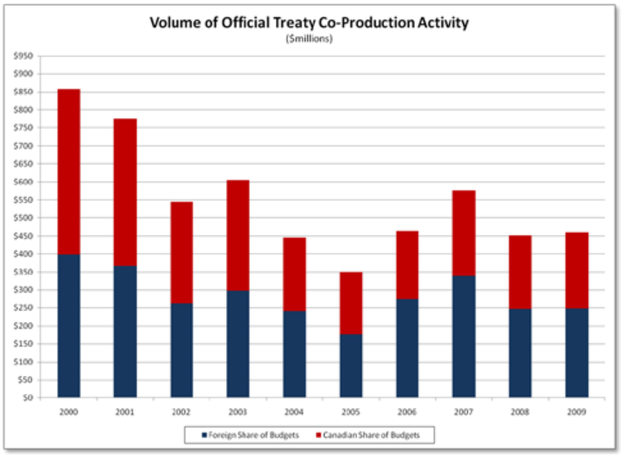

Figure 4: Profile 2010 -- An Economic Report on the Screen-Based Production Industry in Canada, 2010

The challenge producers face in attracting foreign financing and/or penetrating international markets with regard to Canadian productions is acutely reflected in existing export data. As Figure 5 indicates, the export value of Canadian production over the last decade has decreased considerably, dropping by some 65% from a high of $619 million in 1999-00 to just under $215 million in 2009-10.

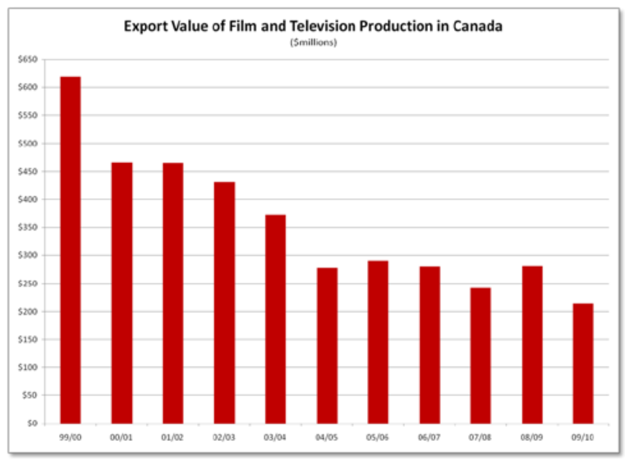

Figure 5: Profile 2010 -- An Economic Report on the Screen-Based Production Industry in Canada, 2010

An International Trade and Investment Strategy to Encourage Future Growth in the Canadian Production Sector

The trends noted above underpin why the CMPA for several years has been highlighting the need for independent producers to work with the Government of Canada in developing an International Trade and Investment Strategy for our sector. We firmly believe that future growth of the independent production sector hinges on our ability to reverse the trends we have experienced with regard to co-production, foreign financing and exports. In short, we need to place greater focus on the opportunities that exist in international markets. We most recently recommended such an approach in the context of the Government's Digital Economy Strategy consultation. More specifically, we suggested the need to: i) implement a new, more flexible official treaty co-production policy framework, ii) create a new $50 million fund dedicated to supporting official treaty co-productions, and iii) introduce a new export development program to assist producers in fostering effective and beneficial business relationships in key international markets.

We are extremely pleased that the Government is moving forward with a new official treaty co-production policy framework and that it is also currently negotiating a new official co-production treaty with India. We look forward to announcements in these areas in the near future. And, given the current financial environment, we accept that the timing may not be ideal to introduce a new $50 million program that is dedicated to supporting the creation of official treaty co-productions. However, with a small additional investment of some $2 million per year earmarked to a new Export Development Program for independent producers, we believe that significant gains can be made to attract greater foreign financing and to increase exports. Ultimately, we believe this small investment would lead to some very positive results that could significantly increase our sector's contribution to Canada's GDP and to job creation.

As such, we recommend that the Government of Canada consider allocating $2 million to a new Export Development Program in the 2012-13 federal budget.

We have modelled how this new program could function. Generally, we believe the program should operate on a cost-matching basis, and should consist of two components: the first aimed at providing support to individual producers to travel to and attend international tradeshows and conferences, and the second geared to providing support for formal trade missions with industry representatives in key markets.

The need for the international tradeshow and conferences component is in recognition of the fact that these international fora are typically attended by thousands of investors and content buyers from markets around the world. The aim of the formal trade mission component would be to develop sustainable business relationships between Canadian producers and the foreign producers in key countries like India, China and Brazil, for example, where there is potential for increased trade and access to foreign financing.

Based on our modelling, and assuming a cost-matching approach, we are confident that each year we could support some 400 Canadian producers to attend tradeshows and conferences as well as undertake 4 or 5 formal trade missions comprising between 7-10 business-ready Canadian producers per mission.

The CMPA has long history in efficiently administering similar programs on behalf of several industry and government partners. We are certain we could expand our current breadth of activities in this area to take on the responsibility of administering the new Export Development Program on behalf of the Government of Canada.

Conclusion

In closing, the CMPA wishes to express again its appreciation to the House of Commons Standing Committee on Finance for the opportunity to contribute to the development of the Government of Canada's next budget.

While the Canadian independent production sector already makes a significant contribution to Canada's GDP and employment, we firmly believe that there is high potential for growth in our industry. Growth, in turn, will lead to increased employment opportunities for thousands of Canadians from coast to coast. Reaching this objective, however, hinges on our ability to reverse the downward trends related to co-production, foreign financing and exports, and on our capacity to exploit more fully the opportunities that exist in foreign markets.

As such, the CMPA is recommending the creation of a new Export Development Program valued at $2 million per year to help achieve these goals. The CMPA, through its experience managing support programs and expertise related to the independent production sector, further, would be prepared to administer this new program on behalf of the Government of Canada should officials deem it appropriate.

We are available at any time should you wish to explore our proposal in greater detail.

Respectfully submitted,

Norm Bolen
President and CEO

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