DIRECTORS GUILD OF CANADA
LA GUILDE CANADIENNE DES RÉALISATEURS

DGC
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Directors Guild of Canada

Pre-Budget Brief to the House of Commons Standing Committee on Finance

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Executive Summary

Established in 1962, the Directors Guild of Canada (DGC) is a national labour organization representing over 3,800 key creative and logistical personnel in 47 occupational categories in the film, television and digital media industry.

While the screen-based industry has experienced remarkable growth over the years, due in no small measure to the involvement of the Government of Canada, certain factors have recently contributed to an uncertain environment that has threatened to compromise the progress experienced over the years. While signs of recovery are evident in certain areas, it is clear that a renewed and robust commitment on the part of the federal government is required if the industry is to grow and make an even greater contribution in the future. The film, television and digital media sector is a key element of the creative economy, the knowledge-based economy, the economy of the future, and merits the heightened attention and strengthened support of the federal government in order to realize its full potential in that regard.

This brief to the Standing Committee on Finance therefore strongly recommends that the Government of Canada commit to two major tax-related measures: the significant enhancement of the federal tax credit regime in order to drive domestic production activity as well as increasing Canada's ability to attract foreign service production; and the creation of a powerful tax mechanism to stimulate much-needed private investment in film, television and digital media production. The Guild also recommends that the government commit to long-term, increased funding for the CBC/Radio-Canada.

These recommendations are submitted to the Standing Committee on Finance in the hope that they will enjoy the favourable consideration and support of committee members in formulating their 2011 pre-Budget report to the Minister of Finance.

Introduction

Soon to celebrate its fiftieth anniversary, the Directors Guild of Canada is a national labour organization created in 1962 to represent the interests of directors working in what was then a nascent film and television industry. Since that time, the Guild has grown to represent over 3,800 key creative and logistical personnel in 47 occupational categories involved in all aspects of direction, design, production and editing in the film, television and digital media industry. The DGC negotiates and administers collective agreements, manages a retirement plan and a health and welfare program for its members, and works to protect and promote the interests of its members.

The Guild strives to encourage a public policy and program environment conducive to a vibrant screen-based industry. In keeping with its public policy initiatives, and in light of its long-standing involvement in the annual pre-Budget deliberations of the Standing Committee on Finance, the DGC again welcomes the opportunity of submitting a brief to the committee and to appearing before it in the course of its 2011 consultative hearings.

The Film, Television and Digital Media Sector

Arts and culture account for $46 billion to the Canadian economy and provide over 640,000 jobs, making the sector larger than Canada's insurance or forestry industries. Collectively, with direct, indirect and induced inputs, the cultural sector contributed over $84 billion to Canada's Gross Domestic Product in 2007.[1]

The screen-based industry (film, television and digital media) is an important component of the wider cultural sector. In 2009/10, film and television in Canada reached a volume of production approaching $5 billion. The industry is a major source of employment, leading to an estimated 117,200 full time jobs across Canada, both directly in film and television production as well as spin-off jobs in other industries of the Canadian economy. This spin-off effect, resulting from the productions industry's purchase of good and services from other sectors along with the economic activity generated by re-spending of income and profits, has resulted in the film and television industry generating just over $6.8 billion to Canada's GDP in 2009/10.[2]

Both the larger cultural sector and its component screen-based industry have enjoyed remarkable growth in recent decades. The cultural fabric of the country is richer and stronger as a result, and the material benefits - - the employment and economic contributions made by the sector - - are similarly impressive. This growth, however, is not simply the result of natural causes. Over the years, the federal government has deliberately and systematically put in place a considerable array of policies and programs designed to foster such growth and development. In the commendable belief that it is in the national interest for Canada to enjoy a vibrant cultural life, successive federal governments have made sustained strategic investments in the cultural sector in general and, of relevance to this brief, film, television and digital media production in particular.

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[1] *Valuing Culture: Measuring and Understanding Canada's Creative Economy*, Conference Board of Canada, August 2008.

[2] *Profile 2010: An Economic Report on the Screen-Based Production Industry in Canada*, published by the CMPA and APFTQ, at pages 6-8.

Federal policies and programs designed to encourage production in this sector, however, have not always constituted a smooth and stable trajectory over the years, and recent experience has underscored the need for predictable, sustained and strengthened involvement on the part of the Government of Canada. This industry can build on its past growth and development and assume an even greater role in the knowledge-based economy of the future, but a full-time industry requires full-time production activity and full-time employment. For the screen-based industry to achieve that goal and realize its full potential there is a compelling need for the federal government to refresh and reinforce its inventory of relevant policies and programs and recommit to this important area of cultural and economic endeavour.

How to achieve a sustained economic recovery

The federal government can keep Canada on the path to a sustained economic recovery through continued investment in industries which provide valuable direct and indirect benefits to economic growth. We agree wholeheartedly with Minister Moore when he said "[t]o invest in arts and culture and to support the creative economy is to support the economy as a whole."[3] Artists are the creative economy's entrepreneurs, and their ability to innovate and adapt to changing markets and evolving business models mark them as important contributors to our domestic and global economy.

The government has a number of ways to support the audiovisual industry in Canada. Policy and legislative measures such as copyright legislation, negotiation (or renegotiation) of Canada's international coproduction treaties, and a comprehensive, national digital strategy recognizing the importance of content creation are all effective tools for the industry, and the DGC is pleased to see this government's commitment to such initiatives. Of more relevance to this brief, budgetary allocations and tax policy are also highly effective tools to further foster and grow the industry.

The DGC understands that in a time of fiscal restraint, across the board increases in budget allocations for the screen industry funding agencies is a non-starter. We do, however, urge the government to restrain cutting the allocations of already lean organizations. Federal support for Canada's audiovisual funding agencies such as the CMF and Telefilm, have remained flat for several years. Given the ever increasing cost of producing high-quality audiovisual programming and the increasing demand for funds, any loss of federal support would have a profoundly negative impact on domestic film, television and digital media production in Canada and the jobs the industry creates.

In the case of the CBC/Radio-Canada, however, there is an urgent need for increased government support. The DGC fully supports the presence of a strong and vibrant public broadcasting service for Canada. The CBC/Radio-Canada is an essential and integral part of our broadcasting system, and provides an important window on the Canadian experience and Canadian creative expression. Since the inception of broadcasting in our country, the CBC/Radio-Canada has informed, entertained and educated Canadians. It has provided an important and alternative voice in our media landscape, and must continue to do so. The challenges and developments in our broadcasting system, including intense media concentration, new audiovisual platforms and continued audience fragmentation, call for a strong public broadcasting service for Canada.

[3] The Hon. James Moore, Minister of Canadian Heritage, on CBC's Q radio program, 12 July 2011.

In order for the CBC/Radio-Canada to properly fulfil its mandate, as prescribed by the Broadcasting Act, it is essential that it receive increased and stable funding from the federal government now and in the years ahead. The current level of funding to CBC/Radio-Canada is not sufficient to allow the public broadcaster to fully meet its broad mandate.

In the rapidly changing broadcast environment, the CBC has a major role to play in the creative economy by developing and showcasing Canadian programming. To do so it must be adequately funded by government in order that it can function as a true, strong and vibrant public broadcaster. Funding to the CBC/Radio-Canada must be high enough to allow it to meet its major costs, maintain quality, and adapt to changing circumstances.

The DGC urges the Standing Committee to recommend that the upcoming federal budget include an increased, stable funding commitment to the CBC for at least the next five years.

How to create quality, sustainable jobs

The rapid growth of digital technologies and the increasing demand from consumers for audiovisual content wherever and whenever they want it can provide a host of new job opportunities for Canadians. As always, however, the support of the federal government will be vital to ensuring these opportunities are realized. Supporting production in the film, television and digital media industry will contribute to meaningful job creation. Federal tax policy is an effective government tool for such an endeavour.

Tax credits drive production activity, and they do so in direct proportion to their strength and scope. Within the past year, the governments of some provinces - - first Quebec, and then Ontario, British Columbia and Manitoba - - have enriched their tax credit regimes. This has been a pivotal development in the recovery process for both domestic and foreign productions, and in the case of the latter has even mitigated the once daunting impact of a Canadian dollar attaining parity.

Unfortunately, the federal tax credit program administered by the Department of Canadian Heritage has not kept pace in recent years, and is limited to labour costs associated with domestic and foreign film and television productions. Further, both federal tax credits are subject to what is referred to as the *assistance grind*, which reduces the effective amount of the federal tax credit paid to the producer. The result is the limiting of the federal contribution to overall costs and thus the federal presence in this important area of intervention is reduced.

For this reason, the DGC is now strongly recommending that the federal government similarly enhance its tax credit regime in order to strengthen the screen-based industry nationally, reinforce its recovery, assure its future growth and development and contribute to job creation in the screen industry itself as well as spin-off jobs in other industries.

How to ensure relatively low rates of taxation

A companion recommendation that would have a major and welcome impact concerns the need for significantly strengthened investment in film, television and digital media production, a seriously under-resourced area of cultural endeavour.

The DGC recognizes that even in times of plenty there is a natural ceiling on direct federal investment in the industry, and that we are now in a period of restraint. For that reason, the Guild is strongly recommending that the government of Canada create a powerful tax incentive to encourage private investment in film, television and digital media production. Such a mechanism would fuel enhanced production activity not only in the recovery period but on an ongoing basis.

Further, such an approach has the benefit of providing the opportunity for Canadian investors and entrepreneurs to limit their personal tax burden while investing in an industry which, as noted above, provides a significant contribution to Canada's GDP and stimulates activity and jobs in other sectors of the economy.

The Way Forward

Given all of the factors at play in the current environment, the film, television and digital media industry finds itself at a critical stage in its development. In order to sustain the growth of the industry and ensure that the progress experienced over the years not be eroded, a renewed commitment on the part of the federal government to this industry is required.

Recommendations

1) ***The Guild recommends that the federal tax credit regime be significantly expanded to include relevant non-labour costs and apply to all linear audiovisual content, whether destined for cinema, television, online or mobile devices.***

2) ***The Guild also recommends the creation of a powerful tax incentive to encourage much-needed private investment in Canadian film, television and digital media production.***

3) ***The Guild recommends that the upcoming federal budget include an increased, stable funding commitment to the CBC/Radio-Canada for at least the next five years.***

Conclusion

Successive federal governments have recognized that, if Canada is to enjoy the vibrant industry it deserves, the Government of Canada must play a significant role in encouraging film, television and digital media production. This industry is one of the cornerstones of the creative economy, the economy of the future, but if that industry is not only to survive but to thrive, now and in the future, the federal government must build on its past investments and adopt the measures recommended above to encourage an industry that creates so many cultural, economic and employment benefits for Canada and Canadians.

The DGC would like to thank the Chair and members of the Standing Committee on Finance for their consideration of the Guild proposals, and for any and all support for these recommendations they might include in their pre-Budget report to the Minister of Finance.