

The Documentary Organization of Canada's 2012 Pre-Budget Consultations Brief

August 12th, 2011

Executive Summary:

The Documentary Organization of Canada/l'Association des documentaristes du Canada (DOC) welcomes the opportunity to present its views to the House of Commons Finance Committee's 2012 pre-budget consultations.

In preparation for the 2012 budget, the Finance Committee has requested that Canadians share their budget priorities. In this brief, DOC focuses on how modifying Canadian media production subsidies to be more reflective of the production conditions of digital media, and of the documentary industry, would generate more jobs, tax revenue, and also give Canada an innovative edge that will attract foreign investment.

DOC's budget priorities

DOC makes the following recommendations in its brief:

- 1. Update/create media production and service tax credits to reflect the changing realities of the Canadian media landscape.*
- 2. Make the Telefilm Theatrical Documentary Fund permanent and increase its funding*
- 3. Increase funding for federal media production funds and certain cultural institutions, namely, the CBC, Canada Council for the Arts, Canada Media Fund, the National Film Board and Telefilm.*

Brief

DOC welcomes the opportunity to present its views to the House of Commons Finance Committee's 2012 pre-budget consultations. DOC is a national organization representing over 800 filmmakers, producers, and artisans engaged in the craft of documentary media production.

Despite Canada's admirable economic stewardship since the last financial crisis, the global financial system may throw our economy into turmoil yet again. The last financial crisis resulted in staggering losses for Canada's media production industry of which it has yet to fully recover. Increased economic uncertainty may result in a loss of consumer confidence that will upset the recovery of the industry. The Canadian screen-based production sector contributed 6.8 billion to Canada's GDP, and employed over 117,000 people in 2009-10.(CMPA, *Profile 2010* p. 8) The Canadian government should act preemptively to safeguard this powerful economic engine.

The Canadian media production environment faces structural challenges that inhibit its full recovery. The increasing diversity of media platforms shrinks ad-buys from agencies. As new digital foreign services enter the market (AppleTV, Netflix), traditional content

distribution systems must compete with them and find new efficiencies. Content producers are also expected to create cross-platform original content, and have their content available anytime and anywhere. In summary, the industry must make more content with less money, and for less money.

During this period of transition and uncertainty, documentary filmmakers are well-suited to exploit digital media. Documentarians are creative financiers who readily adopt new financing and business models. Their content is niche-based that can be readily embedded into the search-based navigation system of the Internet.

Unfortunately, Canada's support for media production has become outmoded and an obstacle for documentary producers. If financing media were more flexible and more funding made available to documentarians, they could populate the digital services with quality Canadian content and attract more foreign investment.

In order to foster innovation and success, as well as prevent any further losses to the documentary industry, the 2012 budget must create further initiatives that enable producers to exploit the opportunities of digital media. And, it must increase its support to the sector to safeguard the industry from the impact of any future global economic crisis. In return, the documentary industry will create sustainable jobs that would generate more tax revenue, which will help balance the budget.

Updating the Canadian Film or Video Production and Service Tax Credits

The digital revolution creates many opportunities for Canadian producers. Digital media expands their potential market to every person connected to the Internet in the world. When properly utilized, interactive digital media content can strengthen the brand and entertainment value of an affiliated project.

Since the launch of the Canada Media Fund, documentary filmmakers are required to make original digital content affiliated with their television projects. Unfortunately, the financing of the projects is almost entirely dependant on funds. One of the primary supports of film and video production are tax credits; these should be extended to digital media production.

Tax credits provide film and video producers capital to invest in their companies and projects, which in turn generates sustainable jobs and increases production. An interactive digital media tax credit for services and production could fill in the gaps of financing, and attract more investors into the digital content production environment.

There is an entire generation of mediamakers who are testing their media production skills on digital platforms. Coupled with the producers who understand the business side of media production, the sector has great potential to create jobs. However, the Canadian Film and Video Production and Services Tax Credits do not apply to projects made for digital platforms. If these tax credits could also be triggered by digital distribution, the emerging grads could find more opportunities for employment.

Clearly, digital media tax credits could to foster innovation, generate more production, and create jobs. A national consultation with the media production industry is necessary to ensure that changes to the tax credit system are beneficial to the media production sector, and do not result in unintended harm to the industry. It will also serve as a forum to propose other improvements to Canadian film and video tax credits.

Therefore, DOC recommends that:

The 2012 budget allocate money to update/create Canadian media production and service tax credits that reflect the changing realities of the Canadian media landscape, namely, the creation of interactive digital media tax credit, and updating the Film and Video Production and Service Tax Credits so that digital distribution platforms act as triggers.

Stable Funding for Documentary Theatrical Films

For decades, Canadian theatrical films suffered due to the lack of screens, heavy cost of entry, and poor attendance. Some recent developments have eliminated these obstacles, and Canadian documentary theatrical films are ready to exploit the theatrical market.

First, Canadian filmmakers are able to access more screens than before. Producers have partnered with Cineplex to release their films as part of the Cineplex Special Event Programming Series. This programming series enables producers to release their films to 80 theatres across the country for a fee, and receive a share of the box office gross. The Special Events Programming Series also is linked to a larger international framework that creates opportunities to distribute to the US, the UK, New Zealand, Spain, Australia, and other countries.

Tutumuch is a Canadian documentary about ballet that was distributed through the Cineplex Special Events Programming Series. It screened for 2 days in 60 theatres across the country. *Tutumuch* had screenings across Australia and New Zealand through the international framework of the special events series. Its combined box office gross would have ranked it in the top 5 Canadian theatrical films.

In addition, film-festivals now own theatres. The Toronto International Film Festival, and more recently Hot Docs, own theatres that screen a greater variety of content. The combined power of the brand of the festival and the capacity to exhibit films outside of festival season allows for more marketing support and recognition of Canadian films, especially documentaries.

Second, the advent of digital technology enables filmmakers to distribute their films at a fraction of the price of traditional theatrical releases. In the past, filmmakers had to make multiple reels of their films, and ship them across the country if they wanted a wide release. Digital cinema eliminates the expenses of shipping, and creating multiple reels, which together cost the producer upwards of tens of thousands of dollars. Now films can be released simultaneously in multiple locations creating wider releases. *Tutumuch* could

not have had 60 screenings simultaneously over 2 days without the advantages of digital cinema.

Finally, Canadian documentaries are popular at the box office in Canada and around the world. *Sharkwater*, *Up the Yangtze*, and *Le dernier continent* were released in the last 4 years, and each have accumulated worldwide cumulative grosses of above \$1 million. (DOC, *Getting Real*, p. 72) At the same time, the annual attendance of Canada's three documentary festivals, DOXA, Hot Docs, and RIDM, increases every year. (DOC, *Getting Real 4*, pp 71-73) Given that film-festivals now own theatres, they can easily use their brand power and popularity to translate festival favourites into box office success stories.

More screens, cheaper cost of entry, and the increasing popularity of documentary films create a critical juncture where theatrical documentaries could exploit the theatrical market better than any other genre. Unfortunately, there is little support from the Canadian government to make theatrical documentaries.

The Telefilm Theatrical Documentary Fund is not permanent and it inadequately funded. It supports on average 4 documentaries a year. (DOC, *Getting Real 4*, p.69) Other funders require broadcaster support to finance the films, and broadcasters are increasingly hesitant to invest in feature films. Even the Telefilm Theatrical Documentary Fund requires broadcaster licence fees to receive maximum funding.

If the Telefilm Theatrical Documentary Fund were made permanent and its allocation increased, filmmakers could supply the theatrical market with more documentaries. As this market is exploited, not only would their companies grow, but they would also attract international co-production partners. In addition, as production increases, indirect employment would increase and be sustained by the growing production slate of documentary films.

DOC recommends that:

The Telefilm Theatrical Documentary Fund should be made permanent, and its allocation be increased in order to facilitate the maximum exploitation of the theatrical market.

Increase Support for the CBC, Canada Council for the Arts, CMF, NFB, and Telefilm

The impact of the financial crisis of 2008 continues to reverberate across the Canadian independent production community. As productions wind down, producers find themselves with fewer and fewer opportunities to work. Many producers temporarily suspended their companies; others abandoned their craft entirely. As a result of the recession, the documentary production community suffered tremendous losses and continues to be vulnerable. Between Sept 2006 and Aug 2009, 1,000 direct jobs were lost, and 1,600 indirect jobs disappeared. (DOC, *Getting Real 4*, p. 20) The documentary industry cannot suffer any further turbulence without risk of entering into a free fall.

Crown corporations and federal funding agencies are key supporters of the independent documentaries. The NFB co-produces with independent producers. The CBC commissions a large amount of independent documentaries. Without funding from CMF, the Canada Council for the Arts, and Telefilm, the financing of documentaries would be impossible.

As the government searches for efficiencies in its program spending, these institutions and funds should remain untouched. Any cuts would result in fewer documentary productions, which would ultimately lead to indirect and direct job losses, and less tax revenue. Instead, the 2012 budget should increase funding and investment to these institutions and funds, which would directly support the independent documentary industry. This will attract foreign investment, increase tax revenue, and create sustainable jobs.

Most of Canada's international co-production projects are documentaries, because Canada is critically acclaimed for its documentary filmmaking, and its robust cultural support system. Producers from all over the world want to work with acclaimed Canadian documentary media producers. Increasing support for these institutions would make Canada a very attractive co-production partner for filmmaking.

Documentaries are a sound investment. They cost less to make than other genres, which accelerates their recoupment rate. Combined with the sales of classroom guides, the licence sales to educational market offer documentarians revenues almost inaccessible to other genres. Between 1995-96 and 2007-08, English Canadian documentaries recouped over \$24.4 million dollars in equity financing provided by the Canadian Television Fund.

Documentaries incubate employment. When one producer starts a project, many professionals are employed: accountants, lawyers, film technicians, actors, musicians, directors, researchers, insurance brokers, writers, sound technicians, cinematographers and many more.

DOC recommends that:

The Federal government increase its appropriations and allocations to the NFB, CBC, Canada Council for the Arts, CMF and Telefilm in the 2012 Budget.

Conclusion

Documentary filmmaking is a Canadian legacy that offers unique and diverse political, social, and cultural perspectives to Canadians and the world. With further support from the Canadian government, the independent documentary production industry can fuel job growth, increase tax revenues, encourage international investment, and drive innovation. DOC strongly urges the Finance Committee to consider our proposals when drafting the 2012 budget.