



**WGC WRITTEN SUBMISSION TO THE STANDING COMMITTEE ON FINANCE  
PRE-BUDGET CONSULTATIONS 2011**

August 12, 2011

**Executive Summary:**

The Writers Guild of Canada (WGC) welcomes the opportunity to participate in the House of Commons Finance Committee 2011 Pre-Budget consultations.

This year the Finance Committee has requested that Canadians share their Budget priorities with the Committee. In this brief the WGC will focus on the importance of screen-based media to Canadian culture and the important skilled job creation opportunities screen-based media can provide.

As Minister of Heritage James Moore said in his speech at the Canadian Media Production Association Prime Time Conference on February 17, 2011:

“supporting Canadian culture means supporting the Canadian economy. Arts and culture represents over 630,000 jobs in the Canadian economy. Canada's cultural industries represent \$46 billion in the Canadian economy. Let's put that in perspective; the arts and culture sectors are larger than Canada's insurance industry, and Canada's forest industry combined.”<sup>1</sup>

Screen-based media, perhaps more than any other sector within arts and culture, is a major generator of highly skilled jobs and a major economic driver that can help to sustain Canada's prosperity and global competitiveness. For that reason, the WGC calls on the government to continue to support Canadian arts and culture, and in particular screen-based media, in Budget 2011. Specifically, the WGC recommends that Budget 2011 include the following:

**WGC Budgetary Priorities**

The WGC would like to make the following recommendations in this review:

- (1) Additional funding for the Canada Media Fund, indexed to the rate of inflation;
- (2) Augmented funding for the CBC; and
- (3) Amendment of the Canadian Film or Video Production Tax Credit to allow for eligibility of videos made for digital platforms.

**Brief  
Introduction**

The WGC is a national association representing over 2000 professional screenwriters working in English-language film, television, radio and digital media production.

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<sup>1</sup> <http://www.pch.gc.ca/pc-ch/minstr/moore/disc-spch/index-eng.cfm?action=doc&DocIDCd=SJM101936>

Although film and television production is a collaborative process that brings together people with many talents and skills, screenwriters are the first and primary creators. In most digital media production, the screenwriter is an essential participant in the creative process. As storytellers, screenwriters create the characters, places and events that reflect our national identity, and instill a true sense of what it means to be Canadian. Our WGC members are the creators of feature films such as *Barney's Version*, indigenous dramatic series such as *Flashpoint*, *Rookie Blue*, *Combat Hospital* and *Heartland* and digital media projects like the *Ruby Skye P.I.* web series. The WGC is committed to building a vibrant industry showcasing Canadian imagination and talent and preserving our unique culture.

While the cultural industries are an important driver of the creative economy, market forces alone cannot support Canadian culture, dominated as we are by the U.S. market. As Minister Moore pointed out in the same speech referred to above, before successive governments took steps to support Canadian culture, our society was dominated by the U.S. market and its cultural products. We read American books and magazines, listened to American music, watched American television and learned American history and values. Canadians still do that but because of decades of government support, we now have the choice to watch, read, and listen to Canadian content. In every jurisdiction it is true that domestic product is more expensive to create than the cost of buying existing content from the U.S. Mr. Konrad von Finckenstein, the Chair of the CRTC, reiterated this when he said in the context of television support through the Canadian Television Fund:

"First, we live next door to the United States. It is the biggest media production market in the world. Its output of programming is prodigious. It's popular. It's available in Canada at a fraction of its cost and our broadcasters make money on it. In order to survive against that competition, our own programming needs some help."<sup>2</sup>

The Canadian independent production industry needs government support to level the playing field. Continued and enhanced federal support will therefore both allow Canadians to enjoy their own culture and foster the growth of highly skilled jobs within the knowledge economy. Federal support of the audio-visual industries is a forward-thinking strategy.

### **Investing In Canadian Film, Television and Digital Media Makes Business Sense**

Canadian government-sponsored cultural programs deliver hard economic returns and generate employment for Canadians. The Canadian film and television industry generated \$4.9 billion of production activity in 2009-10, and generated over 117,000 full-time equivalent direct and indirect highly-skilled jobs in Canada.<sup>3</sup> The film and television sector generated \$6.8 billion in GDP in the Canadian economy in 2009-10. At the same time, interactive digital media content creators generated \$1.75 billion in revenues in 2008 and over 26,000 full-time equivalent highly-skilled jobs.<sup>4</sup>

Film, television and digital media also have a spin-off economic impact (eg. spending on truck rentals, catering, hotels and household spending by those employed in film,

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<sup>2</sup> Speech by Konrad von Finckenstein to the Banff World Television Festival, June 19, 2008

<sup>3</sup> Canadian Media Production Association (CMPA), *Profile 2010: An Economic Report on the Screen-based Production Industry in Canada*, February 2011, p. 8

<sup>4</sup> *ibid* pg. 91

television and digital media). Clearly, government investment in the indigenous film, TV and digital media sectors enhances Canada's economic health and future productivity while helping to define us as a nation.

Canadian audiences are increasingly looking to digital platforms for their entertainment. This includes traditional media being distributed digitally online and on mobile platforms but also original content being created for digital platforms. Few stakeholders are willing to risk capital until the digital media business models are as predictable as those in traditional media. There is therefore an even greater need for government support for original content for digital platforms than with traditional media. Without such support, Canadians will not have quality Canadian digital content to choose from when they visit digital platforms for their entertainment and information.

If we want to ensure that Canadians will be able to continue to enjoy watching their own stories on television, at the movies and on their computer screens in the future, if we want Canadian cultural companies to be able to compete with foreign companies doing business in Canada and to compete internationally, and if we want to generate highly skilled knowledge economy jobs for this generation and the next, then we need a strong commitment from our government.

### **Canada Media Fund**

The WGC was very pleased that the 2010 Federal Budget made the Canada Media Fund ("CMF") a permanent fund. 'A-base' funding will give the television and digital media industries which rely on either the Convergent Fund or the Experimental Fund stability as it allows companies to plan their production activities over years rather than year to year. The CMF encourages broadcasters and producers to develop and create content for multiple platforms through the Convergent Fund so that Canadians have the choice to watch and interact with content when and where they choose. The Experimental Fund undertakes the important role of helping to finance experimental interactive projects which are not associated with television programs.

However, the WGC is still concerned that the CMF is being asked to fund more projects and meet more goals without being given more money. In combining the old Canadian Television Fund with the Canadian New Media Fund, no new monies were allocated by the Department of Heritage. Meanwhile, the CMF has been given a larger mandate by Heritage. The WGC supports the expanded mandate which requires television to have a digital media component or be streamed online and encourages experimental digital productions. However the result is that there are less funds available for traditional television programming at a time when the majority of Canadian audiences are still watching traditional television programs either on their television screens or on digital platforms. While there are fewer funds available the need for financing is increasing as the cost of producing internationally competitive high quality Canadian television drama increases each year<sup>5</sup>. While budgets of Canadian productions are less than in the U.S. they still have increased over the years due to the need to compete with U.S. dramas for Canadian audiences. The CMF needs sufficient resources to be able to both maintain their level of funding for high quality television programming and to adequately fulfill their expanded mandate.

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<sup>5</sup> According to WGC internal statistics, the median budget for one hour dramas has increased steadily from \$1.2 million in 2005 to \$1.7 million in 2010.

The CMF contributes on average of 26% of the budgets of Canadian television programming. We encourage the federal government to take the further step of increasing the CMF's budget to take into account the broader mandate given to it by Heritage and indexing its funding to account for inflation. While the federal government reallocated funds when it combined the Canada New Media Fund with the Canadian Television Fund it has not increased funding since the Canadian Television Fund's inception in 1996. Based on the Consumer Price Index, if the CMF (and its predecessor the Canadian Television Fund) had been indexed for inflation the government's \$100 million contribution would be \$134 million today. The WGC therefore recommends that **the CMF's budget be increased by \$34 million.**

## **CBC**

The CBC, as Canada's national public broadcaster, is enshrined as Canada's cultural guardian under the *Broadcasting Act*. The Act obliges the CBC to provide, in Canada's two official languages, radio and television programming that is predominantly and distinctively Canadian, reflects Canada and its regions, actively contributes to the exchange of cultural expression, contributes to shared national consciousness and identity, and reflects the multicultural and multiracial nature of Canada. CBC is and has always been an important tool for connecting Canadians across the country and in particular for providing essential services in small communities. Increasingly this mandate now includes creating content for digital platforms and using these new platforms as tools to reach Canadians wherever they are in Canada. This is a tall order that can only be achieved if the CBC is given the necessary resources to fulfill their mandate. As respected author Don Tapscott said recently "The CBC deserves support for all the traditional reasons. But the digital revolution introduces a profound new imperative. The CBC needs new resources if it is going to reinvent itself for the digital age. A strong 21<sup>st</sup> century CBC is essential to help us achieve our proper leadership role in the world."<sup>6</sup>

The CBC is the home of distinctive Canadian programming such as *Heartland*, *Being Erica* and *Republic of Doyle*. The CBC.ca website streams programs to provide Canadians with added opportunities to catch their favourite shows. This is all expensive to do, particularly when the government has not increased the CBC's parliamentary appropriation in over ten years. Increasingly the schedule is being filled with low budget programming such as filming the *Halifax Comedy Festival* and international minority co-productions such as *The Tudors* and *Pillars of the Earth* as the public broadcaster looks for ways to reduce their costs and increase their revenues.

As Deloitte's established in its recent report on The Economic Impact of CBC/Radio-Canada,<sup>7</sup> the government's expenditure on the CBC has a wide-ranging impact on the Canadian economy. In 2010, the CBC's cash expenditure on Canadian costs was \$1.7 billion however the full contribution to the Canadian economy after taking into consideration spillover expenditures such as triggering third party financing, support for new technologies and artists, and economic impact in the regions, was \$3.7 billion<sup>8</sup>.

The CBC needs an appropriate level of resources to operate so that it can meet its goals as a public broadcaster rather than chase mass market advertising dollars like any private broadcaster. The CBC should be distinct from the private broadcasters both in

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<sup>6</sup> Don Tapscott, "A New Reason to Support the CBC", Toronto Star, July 30, 2011

<sup>7</sup> Deloitte, "The Economic Impact of CBC/Radio Canada: report for CBC/Radio Canada, June 8, 2011

<sup>8</sup> Ibid pg. 24

its business model and in its programming. Given that the economic and cultural impact of funding the CBC is clear, Canada should not have the third lowest level of funding its public broadcaster of the 18 industrialized countries recently surveyed by Nordicity<sup>9</sup>, but it does. Only New Zealand and the U.S. fund less than the \$34 per capita that the Canadian government funds. Therefore, the WGC supports the recommendation of the Standing Committee on Canadian Heritage<sup>10</sup> that the CBC's annual allocation be increased to the equivalent of \$40 per Canadian. At a population of 33.7 million that would result in **an appropriation of \$1.348 billion or an increase of \$392 million over the 2010 appropriation.**

### **Canadian Film or Video Production Tax Credit**

The Canadian Film or Video Production Tax Credit ("CPTC") is an effective financing mechanism that supports the development of a Canadian talent pool for film and television production as it is based on labour expenditure. In order to trigger the tax credit under the CPTC, a production has to have either a licensed broadcaster or a distributor. Until recently this was completely acceptable. However, in the past two years there has been an explosion of online storytelling. Web series are produced in the same way as any film or television program. They tend to be of 2 to 5 minutes in length and because of the difficulty financing them, are usually of lower budget than traditional film or television. Creators produce web series to access audiences directly without a broadcaster acting as a gatekeeper, to address niche audiences (e.g. comedy horror, teens struggling with coming out to parents), to act as a showcase for their talents or to test market a project. Canadians are creating a wide variety of web series and they are enjoying global audiences. There just is not enough money in the system to pay for them. Expanding the traditional definitions of the CPTC to cover web series would act as a major stimulus to production as well as improving the quality of the work being done.

It is difficult to estimate what the cost of this proposal would be as it is dependent on the marketplace. However, given the rate of growth it would be fair to estimate 50 web series productions in 2012 at an average budget per production of \$250,000. At approximately 15% of budget (assuming little assistance that would have to be deducted), **the net cost would be \$1.875 million.**

### **Conclusion**

Supporting our unique Canadian voice is a powerful nation-building tool and unifying force for Canadians across our country. Sharing our unique brand of humour and values with each other and with the world is especially important to both generations of existing Canadians and newly arrived Canadians trying to figure out our world. The WGC calls upon the government to demonstrate its commitment to Canadian screen-based media by increasing the CMF's budget by \$34 million, increasing the CBC's budget by \$392 million and expanding the eligibility for the CPTC to web series at a projected cost of \$1.875 million. Each of these funding proposals would leverage more than their cost in jobs and economic activity.

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<sup>9</sup> Analysis of Government Support for Public Broadcasting and Other Culture in Canada, Nordicity, April 2011, pg. 4

<sup>10</sup> Report of the Standing Committee of Canadian Heritage, "CBC/Radio-Canada: Defining Distinctiveness in the Changing Media Landscape", February 2008