

AQPM

Brief prepared by

ASSOCIATION QUÉBÉCOISE

DE LA PRODUCTION MÉDIATIQUE (AQPM)

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AQPM

SUMMARY

The Association québécoise de la production médiatique, AQPM (formerly the APFTQ), represents independent audiovisual production in Quebec. The total volume of film and television production in Canada was more than \$5.8 billion in 2012-13. The entire industry directly and indirectly supported 127,700 full-time equivalent jobs (FTEs) and generated \$7.6 billion in gross domestic product (GDP) for the Canadian economy.

Our priorities for the next federal budget are as follows:

- 1) Increase the Canadian offer of film and television production
- 2) Stimulate international coproduction
- 3) Increase the effectiveness of the Canadian Film or Video Production Tax Credit (CPTC)

The AQPM would like to thank the House of Commons Standing Committee on Finance for giving us the opportunity to present our industry's priorities.

Yours truly,

Marie Collin
President and CEO

INTRODUCTION

The AQPM represents more than 150 independent film and television production companies, or the majority of Quebec companies producing for all screens, in French and in English.

The audiovisual industry is a cultural industry that is a significant economic driver. In 2012-13, the **total volume** of film and television production in Canada was more than **\$5.8 billion**.¹

The entire industry directly and indirectly supported **127,700** full-time equivalent jobs (FTEs), including 50,000 jobs in film and television production. Jobs created in our sector require professionals such as performers, technicians, authors, producers and managers, who are highly qualified technically and artistically. Revenue generated by film and television production in Canada was \$5.9 billion and generated **\$7.6 billion of Canada's gross domestic product (GDP)**.

The **export value** of film and television production in Canada totalled **\$2.3 billion**. The export value tracks the value of international financial participation and includes foreign presales and distribution advances and the total value of foreign location and service production in Canada.

Last of all, the **volume of convergent digital media production**, or the digital media components of television works created mainly with the Canada Media Fund (CMF), totalled **\$43.4 million**. This production sector supported **1,010 direct and indirect FTE jobs**, and generated **\$73.4 million in gross domestic product**.

Film and television production represents just one segment in the value chain. The film and television production segment generates the content while the other segments of the value chain – from distribution through exhibition and broadcasting distribution – also add economic value to this content. **Thus, the other segments of the value chain supported 233,210 direct and indirect FTE jobs and generated \$18.8 billion in GDP.**

Canadian consumers' media consumption patterns continued to change. Canadians are turning increasingly to digital platforms, including cell phones, to watch movies and television programs. Between 2007 and 2012, the use of digital technologies to watch television programs increased from 13% to 34% for French-speaking Canadians and from 14% to 38% for English-speaking Canadians.² While Canadians are expanding their platform options, the data shows that traditional television remains, by far, the primary platform. **The average number of hours**

¹ Data from *Profile 2013: Economic Report on the Screen-based Media Production Industry in Canada*, study published in February 2014 and prepared by Nordicity Group Ltd. for Canadian Media Production Association (CMPA), Association québécoise de la production médiatique (AQPM) and the Department of Canadian Heritage (<http://www.cmpa.ca/sites/default/files/documents/industry-information/profile/Profile2013Eng.pdf>).

² See note 1.

watching television via traditional methods was just over 26 hours a week per person whereas the average time watching television using digital technologies was only three hours per week in addition to traditional viewing.

In conclusion, no matter the platform, Canadians continue to appreciate Canadian and foreign films and television programs. If Canada wants to continue to be an important player in audiovisual supply to Canadians, it is vital that there be support for production.

We will now outline our sector's priorities for the 2015 federal budget, keeping in mind the government's two priorities: increasing competitiveness of Canadian businesses through research, development, innovation and commercialization and also optimizing the number and type of jobs for Canadians.

PRIORITY #1 – Increase the supply of Canadian television and film

First of all, we would like to point out that providing permanent funding for the Canada Media Fund (CMF) was a very smart move on the government's part. CMF funding in 2012 of approximately \$300 million supported \$1.15 billion in television production. The CMF is the most important funder for television production in Canada.

At present, Canadian Heritage contributes about \$130 million a year to the CMF, which represents approximately one third of the fund. Broadcasting distribution undertakings (BDUs) contribute about \$250 million, which is based on their subscription revenue, and this represents two-thirds of the fund.

The adoption of digital technologies by Canadians has put downward pressure on BDU subscription revenues and, consequently, their contributions to the CMF. Moreover, as a result of the consultation "Let's Talk TV" by the Canadian Radio-television Telecommunications Commission (CRTC), it is estimated that these revenues will decline further. Thus, the change in Canadian consumers' media consumption patterns will diminish Canadian production of audiovisual content and also lead to a decrease in the supply. This runs contrary to Canadian demand because, especially in Quebec and increasingly in the rest of Canada, Canadian content is very much appreciated by Canadians.

It was previously decided that since audiovisual content broadcasting is the core of BDU services, they should contribute to the Canadian Television Fund (CTF; the CMF was created by merging the CTF and the Canada New Media Fund in 2010), and could contribute a portion to certified independent production funds in order to support production of the content they were distributing to consumers. At present, this content is also distributed by BDUs on digital

platforms, but the resulting revenues are not considered when calculating the contributions to the CMF.

Today, this content is vital for all Internet service providers (ISPs), which also distribute it to consumers, and it is becoming increasingly important for mobility services suppliers. Why are they still reaping the benefits of the evolution of Canadian consumption of audiovisual content without contributing to its production? This question, which has gone unanswered thus far, now requires government action in order to increase the offer of Canadian audiovisual content.

For that reason, we are asking that supplementary contributions be made to the CMF, either by requiring contributions by ISPs and mobility services suppliers, or by amending the relevant legislation in order to give the CRTC the authority to require them. In addition, we are asking that the basis for calculating contributions be broadened to include revenue from the consumption of audiovisual content on digital platforms. We are convinced that the CRTC's review of the Canadian broadcasting system will show that our demands are indispensable.

In the end, we are still urging the government to also contribute to the CMF a portion of the profit made each time it holds a spectrum auction such as the advanced wireless services-3 (AWS-3) spectrum.

With more funding, the CMF will be able to better support television production and convergent digital media production, and also provide increasing support for film production. More funding is in the interests of the entire industry, including the content providers, as this will result in a better offer for Canadians on the platform of their choice.

PRIORITY #2 – Stimulate international coproduction

The AQPM appreciates the significant steps taken by the federal government in recent years with respect to international coproduction. First, we should point out that the Canadian policy on audiovisual coproduction governed by treaties is now in force. The government has already started negotiating with other countries—an international treaty with India has been signed—and the round of negotiations to update existing treaties is underway. The AQPM applauds these steps and encourages the government to do more in this area.

We are very concerned by the downward trend in French-language coproduction in recent years. In fact, between 2011 and 2012, the volume of French-language coproduction dropped by 32% and, in 2012 represented the lowest volume of production in ten years.³ The number of certified coproductions with France, our main French partner, dropped from 19 in 2009 to 9 in 2013.⁴

³ Except for 2009. See note 1.

⁴ Source: Telefilm Canada.

In order to stimulate French-language coproduction, and coproduction in general, and especially to meet the demand created by new international treaties, we recommend that the government contribute an additional \$10 million to Telefilm Canada. This will be used to create the necessary leverage to spark more official international coproductions and it will create an incentive for French-language coproduction in accordance with Telefilm Canada's criteria and parameters for coproductions.

PRIORITY #3 – Increase the effectiveness of the Canadian Film or Video Production Tax Credit (CPTC)

As we know, the main objective of the CPTC is “to encourage the development of a viable national film and video production industry in Canada.”⁵

In 2012-13, provincial tax credits provided twice as much support for Quebec production as the CIPC.⁶ The gap is generally greater for French-language productions, which have less access to foreign sources of financing.

In order to better meet the main objective of the CPTC and to increase its effectiveness, we are asking that you relax the rules of the program for all Canadian audiovisual productions. To that end, we recommend that you limit the eligibility reduction resulting from government and non-government assistance. The goal is to have smaller reductions in the cost of production, which is used to determine the amount of the qualified labour expenditure eligible for the tax credit. This could be achieved by establishing a percentage threshold for the amount of assistance that reduces eligibility, or exempting certain types of assistance, which would no longer reduce eligibility.

The benefit of these changes would be felt more by Quebec production, especially French-language production, and would be particularly appreciated at a time when the provincial tax credit has been reduced by 20%.

⁵ Preamble in the CPTC program guidelines, published March 31, 2010.

⁶ *Statistiques sur l'industrie du film et de la production télévisuelle indépendante*. Observatoire de la culture et des communications du Québec, 2013 Edition.