CMPA
Canadian Media
Production Association
Screen-based entrepreneurs
ottawa | toronto | vancouver

August 6, 2014

House of Commons Standing Committee on Finance (FINA)
House of Commons
Ottawa, Ontario
K1A 0A6

Dear Committee,

On behalf of the Canadian Media Production Association (CMPA), I am pleased to submit our recommendations for the 2015 Federal Budget to the House of Commons Standing Committee on Finance. These recommendations directly address the following priorities identified by the Committee in its news release on June 6, 2014: increasing the competitiveness of Canadian businesses, maximizing the number and types of jobs for Canadians, and improving Canada's taxation and regulatory regimes.

Canadian Film and Television Production Sector

The CMPA is Canada's trade association for independent producers, representing more than 350 companies across the country engaged in the production and distribution of English-language television programs, feature films and digital media. A producer manages all phases of the creation of a film, television, or digital media project from development to post-production. They hire the cast and crew, secure financing, navigate the various funding programs, and find a buyer for the production.

Production has an enormous impact on the Canadian economy and CMPA members were responsible for generating a significant portion of the $7.6 billion in GDP, $2.3 billion in export value, and 127,700 high-quality full-time equivalent jobs that our sector created last year. As demonstrated through Canadian success stories such as Orphan Black, Heartland, Haven, the Grand Seduction, and many others, Canada's productions are world-class with a proven track record of success in international markets.

Production of Canadian content also helps to maintain Canada's identity and way of life but serves a relatively small domestic market. In Canada, we have been fortunate that federal and provincial governments have recognized the economic and cultural importance of our sector, as well as our challenges related to market size, and have become partners in building a mature industry that supports tens of thousands of jobs and billions of dollars in economic activity.

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Targeted initiatives

Because of government support and the entrepreneurial spirit of Canadian producers, television broadcasters and distributors, Canada has grown from a country that relies heavily on imported content to a major exporter of world-class, high-quality Canadian content. In order to further build on this success, the CMPA proposes three targeted improvements that will reduce inefficiencies in the delivery of public support and enable the continued growth of our sector by helping to attract greater private investment, particularly from foreign markets, and to expand exports. These improvements include:

1) Eliminating the "grinds" on the Canadian Film or Video Production Tax Credit

2) Providing tax credits up front which will eliminate the need for bridge financing through banks

3) Creating a new fund to promote Canadian productions and to enable Canadian producers to attend international trade shows and events where they can seek financing from international sources and access export markets.

Tax Credit Grind

Tax credits have been critical to the growth of the Canadian production sector in a highly competitive global environment. Currently, the value of the Canadian Film or Video Production Tax Credit (CPTC) is reduced by an amount equivalent to what the producer receives in provincial support, other federal subsidies, and private financing (the "grinds"). The existence of these grinds decreases the value of the CPTC for producers and in the case of the private financing grind, creates a disincentive for producers to seek private financing for their projects.

To address this, the CMPA recommends that the grinds be reduced or eliminated in the calculation of federal tax credits. While this would result in an increase in the overall expenditure on tax credits, this investment would result in a multiplier effect in production spend and job creation as producers would be able to significantly increase their levels of investment from other sources in a way that would materially increase their overall budget. As additional financing is secured and invested in Canadian productions, these productions would be of increasingly high-quality and better able to attract international audiences.

The removal of the grinds in calculation of the CPTC would act as a stimulant for Canadian film and television production activity and maximize jobs for Canadians. It would also improve the competitiveness of Canadian production companies by enabling them to attract the foreign equity required to finance projects on the same level as companies in countries such as the US and UK.

Bridge Financing

Currently, producers do not receive the benefit of tax credits for up to 18-24 months after production costs are incurred. As a result, producers must interim finance ("bridge finance") those tax credits by borrowing from banks thus incurring substantial interest costs and other fees. Federal tax credits are a key success factor for many Canadian productions but their ultimate value is decreased once interest costs and other fees are taken into account.

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To address this, the CMPA recommends that, in cases where applicants to the CPTC have a proven track record, that these tax credits be provided upfront once the applicant has received preliminary approval for a project. This will help ensure that the full benefit of the tax credits go to helping capitalize Canadian production companies and/or to creating high-quality Canadian productions that can compete globally, thereby increasing jobs and economic activity in Canada.

Interest costs and related fees on bridge financing amount to an estimated $22 million of lost value for producers per year. By providing tax credits upfront, these costs would be eliminated and/or reduced significantly at no additional ongoing cost to the Government of Canada.

Export promotion program

Canada produces world-class content across all genres. This content, however, particularly in the English-language market, must compete directly with content supported by well-financed marketing campaigns of US studios and other international production and distribution companies. The ongoing, long-term success of Canadian-produced content therefore requires consumers and potential investors, both domestically and internationally, to be aware of the high-quality film, television and digital media productions we create.

In order to overcome the limitations of our relatively small domestic market, the CMPA proposes a new initiative dedicated to promoting Canadian feature films, television programs and interactive media content both in Canada and abroad and to helping attract greater international investment. This program would ideally be in the range of $10-15 million and would include a component dedicated to offset a portion of the costs of export-ready Canadian-owned and controlled companies to attend key international trade events in priority markets where investment financing can be raised and exports increased.

Conclusion

If implemented, the targeted improvements outlined in this submission would help to increase the competitiveness of Canadian businesses in the film, television and digital media production sector and grow the number and types of job opportunities for Canadians. While there are costs associated with some of these measures, the additional expenditure would result in a significant increase in economic activity and ultimately government revenue generated by film and television production in Canada. It would also help to alleviate the impact of the elimination of the provincial tax credit in Saskatchewan and the recent reduction in Quebec, which have been damaging to the production sectors in those provinces.

Thank you for the opportunity to submit these recommendations to the House of Commons Standing Committee on Finance and I hope to have the opportunity to provide further information and to answer any questions that Committee members may have during the public hearings in the early fall.

Sincerely,

Michael Hennessy

Michael Hennessy
President and CEO