



MOTION PICTURE ASSOCIATION - CANADA  
ASSOCIATION CINÉMATOGRAPHIQUE - CANADA

**2018 PRE-BUDGET SUBMISSION  
TO THE HOUSE OF COMMONS STANDING COMMITTEE ON FINANCE  
AUGUST 2017**

**A MADE-FOR-CANADA UPLIFT**

The Motion Picture Association – Canada (MPA-Canada) serves as the voice and advocate of the major producers and distributors of movies, home entertainment and television programming in Canada and is an affiliate of the Motion Picture Association of America, Inc. (MPAA). The studios we represent – including Walt Disney Studios Motion Pictures, Paramount Pictures, Sony Pictures Entertainment, Twentieth Century Fox, Universal City Studios (NBCUniversal), and Warner Bros. Entertainment - are among the most dynamic and entrepreneurial global companies in the film and television business.

## THE RAPID GROWTH OF THE FILM AND TV PRODUCTION SECTOR

In the last 25 years, new distribution technologies have stimulated a surge in demand for TV shows and movies. The reach of the internet and the ubiquity of wireless connectivity have further accelerated demand for content –from explosive growth in the international production and distribution of movies, to the rise in popularity of over-the-top (OTT) services hosting prestige series with budgets and production qualities to rival major feature films. The result has been dramatic growth in the production of TV and films around the world.

The craft of film and TV production has changed in many remarkable ways. While the heart of the entertainment value proposition is good stories told well, the techniques used to delight, inform, and amuse audiences involve a rapidly evolving mix of cutting-edge engineering, technological, and artistic skills. Many of the valuable jobs in film and TV production wouldn't have existed only a decade ago, such as the speed with which technology is becoming a driving force for excellence in production.

As consumers around the world demand more content, creators have diversified strategies for delivering content, resulting in a globally competitive marketplace for the production of film and television.

## THE OPPORTUNITY FOR CANADA

Canada has a relatively successful place in the global production marketplace. In the last year, the value of production work in Canada stands at roughly \$7 billion, which results in more than 140,000 well-paying jobs directly, and tremendous spin off spending resulting in a GDP of \$8.5 billion within the Canadian economy.<sup>1</sup>

We believe that the demand for content will continue to grow at a fast pace. We also believe that Canadians have a unique opportunity to attract a growing share of global film and television projects.

The key to achieving a step change (as contrasted with incremental growth), in film and TV work lies in developing policy measures that will add appeal to producers and deliver powerful, expanded benefits for Canadian taxpayers, workers, and communities.

As Government considers ways to improve Canada's competitiveness and productivity, we are pleased to submit some ideas that we believe are worthy of consideration as part of this year's federal budget consultation.

MOTION PICTURE ASSOCIATION-CANADA EXAMPLES OF ECONOMIC IMPACTS		
Movies	Money Spent In Canada	Jobs in Canada
<i>War For The Planet of The Apes</i>	Over \$81 million	Over \$45 million spent on local cast, crew, and extras and over \$2.9 million on local office personnel.
<i>Star Trek Beyond</i>	Over \$69 million	Over 3,900 cast, crew, and extras.
Television Series		
<i>Arrow</i>	Over \$360 million spent in the first five seasons.	Over \$44 million on crew and labour, creating over 7,000 jobs for cast, crew, and extras.
<i>Suits</i>	Over \$100 million spent in the first five seasons.	Over 2300 FTE positions spanning the first five seasons.



## THE GOAL

Past policy incentives (including federal and provincial measures) have proven helpful at growing Canada’s production sector.

However, the rest of the world has not been standing still, and to strengthen Canada’s competitive position, it is useful to consider what’s been happening elsewhere.

- Adjustments to incentives have led to record-setting growth in Georgia, New York, and the UK – Canada’s largest competitors for investment by U.S. producers<sup>ii</sup>.
- Jurisdictions like Australia, New Zealand and others have been breaking from traditional formulas in search of policy innovations that accelerate a longer term, self-perpetuating ecosystem of talent and infrastructure. This approach has clear potential to deliver substantial, lasting benefits for a host jurisdiction.

Notwithstanding more global competition than ever before, however, the opportunity for Canada is real: Canada’s advantage results from a unique combination of competitive and stable base production incentives, a deep pool of Canadian creators, talent and crews, developed

infrastructure, desirable locations that are camera-ready and industry-friendly, and technology-reliant animation, post production and visual effects capabilities that are amongst the best in the world.

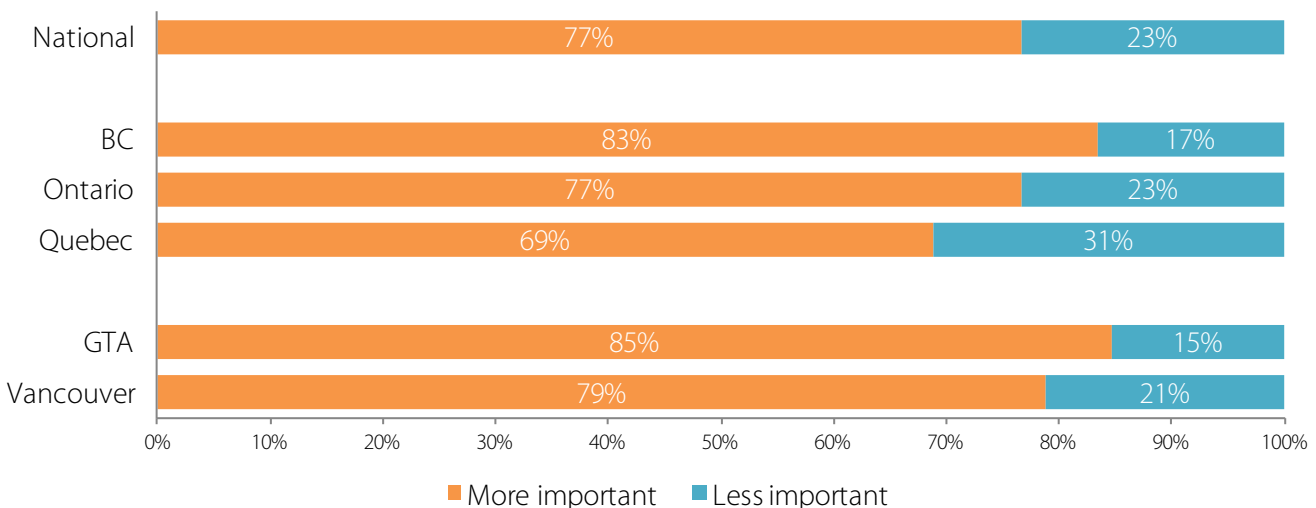
We believe the moment is right for Canada to consider a disruptive policy measure that has the potential to lead to rapid expansion within Canada of this technologically advanced, environmentally sustainable, economically productive sector that enjoys good prospects for long-term growth.

## DISRUPTIVE POLICY TO CREATE A STEP CHANGE

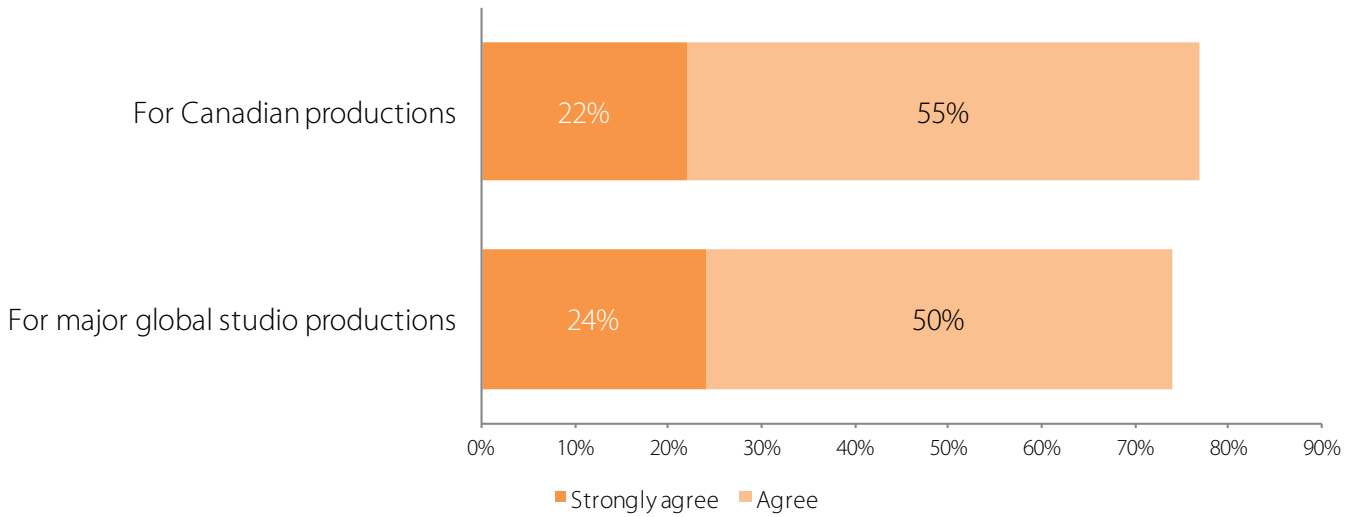
Canada has advantages when it comes to attracting the work of global content producers. This is not an area where Canada needs to acquire entirely new skills and infrastructure, or to ask the public to support investment in unproven sectors of the economy.

Canadians see significant benefits for the Canadian economy when films and TV programs are made in Canada, and believe these benefits have been growing. Three out of four Canadians support additional incentives, and are enthusiastic about attracting projects of Canadian, Hollywood or producers from anywhere around the globe<sup>iii</sup>.

### COMPARED TO 10 YEARS AGO, THE BENEFITS OF FILM AND TV PRODUCTION HAVE BECOME... TO CANADA’S ECONOMY\*

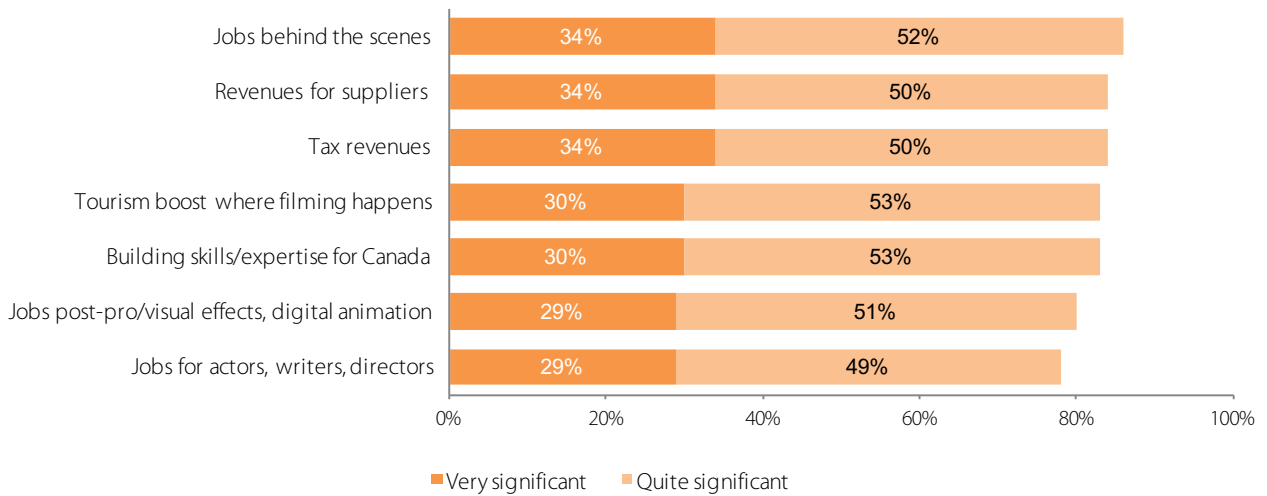


**SUPPORT FOR ADDITIONAL FEDERAL INCENTIVES\***



“I’d like to see the federal government provide more financial incentives for the film and TV projects of major global studios/ Canadian film producers”

**BENEFITS FROM MAJOR STUDIO PRODUCTIONS\***



“When major global film studios film projects in Canada, do you think the benefits are very significant, quite significant, not very significant, not significant at all”

*\*Public opinion data from a study conducted by Abacus Data, Spring 2017*

Canadians want to participate fully in the economic expansion of the TV and film industry.

The key to unlocking more opportunity lies in creating made-in-Canada policy innovation that deviates somewhat from the traditional benchmark tax incentives for production work.



## THE NEW GLOBAL LANDSCAPE FOR FILM AND TELEVISION PRODUCTION

More than 30 jurisdictions are actively working to harness global investment in production in the screen-based industries as a catalyst for expanding opportunity for the broadest possible segment of the local production community. The scope of Canada's competition covers the breadth of production activities, including animation, post-production and visual effects. The UK, Australia, and New Zealand are examples of Canada's global competitors that have broadened tax credits to apply to all expenditures made by a production. Diverse locales such as Hungary, and the Czech Republic have also strengthened incentives to attract global film and television producers.

In seven short years, Georgia's film industry has grown dramatically in both direct production spending (from \$67.7 million in FY 2007 to \$2.7 billion in FY 2017), and in infrastructure investment.<sup>iv</sup> In the UK, new credits introduced in 2013 saw investment more than double from 190.2 million GBP in 2013-2014 to 590.5 GBP in 2015-2016 in high-end television content alone. Moreover, spending on UK film production in 2016 was the highest on record with 1.6bn (GBP), a 13% increase from the previous year.<sup>v</sup>

### WHAT MIGHT A PRODUCTION "UPLIFT" LOOK LIKE FOR CANADA?

The key to drawing more film and TV production work to Canada lies in a cost and tax-competitive environment, a talent pool that can continue to scale up, a technologically-advanced filmmaking ecosystem (especially valuable for digital effects and post-production work), cultural features, and studio infrastructure that effectively bring projects to life and at acceptable costs.

Large-scale "tentpole" feature films and 'high end' television series offer a valuable opportunity for governments and producers to develop mutually beneficial arrangements that lead to long-term, economically beneficial relationships, deepening and growing a domestic talent pool, and creating infrastructure with long-term value.

Should the Government of Canada wish to attract more of this work, we believe the time is right to develop a unique, made-in-Canada "uplift" incentive, designed to create a 5/10 year expansion of the scale of production opportunities.

At the end of this period, such an incentive could be reviewed and potentially sunsetted. Ideally, the resulting growth in the physical and human infrastructure will have created a self-perpetuating competitive advantage for Canada.

### THE UPSIDE FOR CANADIAN WORKERS, TAXPAYERS AND COMMUNITIES

Ideally, we would work through the details of what Canada needs and how producers can help in a collaboration with officials, and bearing in mind the need to synergize with local and provincial authorities. In other jurisdictions, "uplift" innovations provide for governments and producers to agree to a project-specific suite of benefits targeted to support marketing and tourism, local employment and job training, skills and talent development, infrastructure development outside of primary production centers, and community development objectives – all tailored to current government needs and responsive to unique opportunities.

As a starting point, we would identify the following potential elements, some or all of which could be considered for inclusion in a unique "tailored for Canada" uplift.

- **INNOVATION CAPACITY:** First and foremost, a tailored for Canada uplift would recognize that Canada has both mature physical production as well as advanced technical capabilities, available in multiple locales across the country. An innovative policy should build on this Canadian competitive advantage.
- **SUSTAINABLE PRODUCTION PRACTICES:** Our members have embraced high standards and stretch goals when it comes to the



environmental footprint of filmmaking. Governments in Canada can look to film and TV producers as enthusiastic partners in the transition to a cleaner growth, lower carbon economy. A Canada uplift could be the first in the world linked to industry “best practices” for sustainable production.

- **VALUE ADDED TOURISM:** Canada is also exceptionally well-placed to take further advantage of the powerful, measurable impact that production has on tourism. Competing jurisdictions have included specific, tailored tourism promotion measures in their policy innovations, resulting in unprecedented growth in visitors from around the globe seeking new experiences in the places where movies and television are made.
- **TRAINING THE NEXT GENERATION:** A made-for-Canada uplift can also include commitments to provide training for future employment in technologically advanced, well-paying jobs; and specific career advancement initiatives to provide opportunities for Canadians to develop talent and technical capacity, in front of and behind the camera.
- **EDUCATION AND SKILLS TRANSFER:** Film and TV producers value access to a highly-skilled, well-trained labour pool. Structured, industry tailored collaboration with education programs in Canadian colleges and universities could be included in a Canada uplift to help expand the skilled labour pool, building a platform for expanded growth.
- **INFRASTRUCTURE DEVELOPMENT:** Film and TV work in Canada results in extensive spending on local services, from accommodation and food, to transportation and construction.

A Canada uplift could specifically include elements that ensure unique large budget productions that result in infrastructure development, including the repurposing of underused industrial space and build-to-suit production capacity, perpetuate and expand direct investment in the Canadian economy.

One critical factor to consider in designing a Canada uplift is the interrelationship between federal and provincial policies. Today, the baseline federal incentive is “ground down” (i.e. reduced in value) because of provincial incentives, meaning the net benefit, in terms of stimulating growth in Canada, is reduced. To achieve the desired outcome, a Canada uplift would need to be developed in partnership with key jurisdictions, and to ensure the policy goal of accelerating growth is realized.

## SUMMARY

Canada is poised for even greater success in the rapidly expanding global marketplace for film and TV production, and policy change can help catalyze greater competitiveness.

This is not a sector where prospects for Canadian success are speculative – Canadians know how to succeed in this field, as do global production companies. The idea of a made-for-Canada uplift is not about creating short term growth– but an expanded platform for long-term success across Canada.

Growth in demand for TV and film is creating the sort of highly-skilled, well-paying middle-class jobs that Canadians are enthusiastic about. With the rest of the world looking to compete with Canada, policy innovation can capitalize on Canada’s advantages and create a sustained expansion of opportunities for creators, technical artists, innovators, and communities across the country to succeed in the creative economy of the future.

We look forward to the opportunity to collaborate on policy innovations that can help strengthen Canadian competitiveness.



## NOTES

<sup>i</sup> Canadian Media Producers Association (CMPA) - Profile 2016: Economic Report on the Screen-Based Media Production Industry in Canada ("CMPA Profile 2016"), produced in collaboration with the Association québécoise de la production médiatique (AQPM), the Department of Canadian Heritage and Telefilm Canada, (Ottawa: CMPA, 2017)

<sup>ii</sup> Statistics from competitive jurisdictions outside of California: Creative Industries Statistics July 2017: Official Statistics on Film, High-End Television, Animation, Video Games, Children's Television and Theatre Tax Relief, HM Revenue & Customs (U.K. Creative Industry Statistics"); Film Industry Generates \$9.5 Billion For Georgia's Economy, July 10, 2017, Georgia Department of Economic Development ("GDEC 2017"); Mayor De Blasio Announces All-Time Record Number of Television Shows Shooting in New York City, June 6, 2017, NYC Mayor's Office of Media and Entertainment

<sup>iii</sup> Prepared by Abacus Data for Motion Picture Association-Canada, Spring 2017 HA

<sup>iv</sup> GDEC 2017

<sup>v</sup> U.K. Creative Industry Statistics

