



WGC PRE-BUDGET WEB CONSULTATION

April 19, 2006

Executive Summary

The Writers Guild of Canada (WGC) welcomes the opportunity to participate in the Pre-Budget Web Consultations.

The Harper Government has said it is focusing on five core priorities – the Federal Accountability Act, reducing the tax burden of Canadians, cracking down on crime, supporting child care, and establishing patient wait time guarantees. While the WGC realizes that these will be important considerations when drafting the annual federal budget, fostering Canada's unique cultural identity is also a priority for Canadians.

Canada's distinct culture and national voice are cornerstones of our society. Culture helps unify our vastly dispersed and multiethnic population by communicating our societal values and Canadian perspective both at home and abroad.

Arguably, film and television are the most accessible forms of culture for most Canadians. In December, 2004, the Standing Committee on Finance recommended that the previous government provide much-needed long-term funding to ensure the future viability of our Canadian voice in the audio-visual sector.

Despite this backing from parliament, government financing for the cultural sector has declined in real terms over the past decade. Private broadcaster investment in Canadian indigenous programming is also at a seven year low. This makes the need for increased, stable, long-term public funding even more pronounced. If we want to ensure that Canadians will be able to continue to enjoy watching their own stories on television and at the movies in future, we need a stronger commitment from our new government.

WGC Budgetary Priorities

The WGC would like to make three main recommendations in this review:

- (1) Increased, stable, long-term funding for the Canadian Television Fund and Telefilm
- (2) Augmented funding for the CBC, and
- (3) An increase in the rate of the Canadian Film or Video Production Tax Credit to at least 30%.

The voice of Canadian screenwriters

The WGC is a national association representing 1,800 professional screenwriters working in English-language film, television, radio and new media production.

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. As storytellers, they create the people, 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 like *Mambo Italiano*, indigenous dramatic series such as *Da Vinci's Inquest* and *Corner Gas*, popular mini-series like *Trudeau* and *H₂O*, and renowned children's programming like the *Degrassi* series. The WGC is committed to building a vibrant industry showcasing Canadian imagination and talent and preserving our unique culture.

For over sixty years, the WGC and its predecessor have negotiated collective agreements which set out minimum rates and terms for screenwriters working with producers and broadcasters. As a result, the WGC has negotiated separate Independent Production Agreements with the Canadian Film and Television Production Association (CFTPA), which represents English-language independent producers in Canada, and the Association des producteurs de films et de télévision du Québec (APFTQ), representing French-language independent producers. The WGC has also negotiated agreements with broadcasters such as CBC Radio, CBC-TV, CTV, Global, the NFB and TVOntario. In addition, by hosting events such as the Canadian Screenwriting Awards, and publishing *Canadian Screenwriter* magazine, the WGC promotes the efforts and achievements of professional screenwriters.

Supporting the film and TV sector is the single best way to promote our Canadian voice

Culturally, television and feature films are our most potent story-telling mediums. All that we need to access this form of cultural expression is a television set, or a couple of tickets to the movies. And drama resonates with an audience like no other type of programming, as we see from the top ten program lists in Canada and abroad. Simply by flicking on their television set, or taking their seat at the local cinema, Canadians can see their relationships, conflicts and experiences reflected on the screen – all with our distinctive Canadian perspective.

The indigenous film and television sector is also a powerful nation-building tool. Creating films and programs that foster national pride and join us together through our common Canadian values and experiences is especially important in these fractious political and social times. We need popular forms of culture to bind our nation together when regional differences threaten Canada's political and social foundations. For example, a show like *Corner Gas* not only allows Saskatchewanians to revel in their regional quirkiness, it also expresses our national sense of humour and values no matter where you live in Canada. It provides that essential "water cooler talk" that allows urban and rural viewers from Vancouver to St. Johns to share the joys and dilemmas of Dog River's residents each week.

Investing in the film and TV sector makes good business sense

Canadian government-sponsored cultural programs also deliver hard economic returns and generate employment for Canadians. The indigenous film and television sector alone generates \$4.92 billion of production activity annually, and employs over 134,700 Canadians in highly-skilled jobs. Direct public funding (public financing and the public broadcaster) provided about 25% of the total value of all Canadian productions certified by the Canadian Audio-Visual Certification Office on average in 2003/04. This means that each dollar of government support leveraged about three dollars in other types of financing.¹ In addition, the film and TV sector, growing at an average annual rate of 8.5% from 1997 to 2002, has also surpassed the 3.6% growth level for the overall economy.²

Clearly, government investment in the indigenous film and TV sector enhances Canada's economic health and future productivity. But this is not only a good investment within Canada, it is a good investment for us outside our borders. Acting as cultural ambassadors, Canadian films and television programs promote Canada as both an attractive destination for skilled, productive immigrants, and as a sound place to invest. Recently, the Anholt-GMI Nation Brands Index ranked Canada as the second most attractive place to invest and live, just behind Australia, in a survey of brand reputations of 25 countries. However, our cultural presence placed us far behind in 18th place, demonstrating that we need to do more for our culture to be recognized globally³.

Canada's ability to continue to attract highly-skilled and economically valuable immigrants is also directly linked to the viability of our cultural sector. Richard Florida, Ph.D., author of the bestselling *The Rise of the Creative Class* and the recently published *Flight of the Creative Class*, has argued that the traditional economy is being replaced by the creative economy. He says nations will have to do far more to support, attract, and grow their creative class if they want to remain economically competitive.

The good news is that Canadian television shows and films are very influential ambassadors and are already doing their fair share to promote Canada's unique voice at home and abroad. For example, the hit television comedy *Corner Gas* scored the same audience ratings as the top US show *Desperate Housewives* this year. *Robson Arms* also won Canadian audiences and rave critical reviews despite its poor summer timeslot on Friday night at 10 pm when few Canadians watch television. The acclaimed *Degrassi* series was the top-ranked youth drama in the US this past year and recently won the US Television Critics Association Award for "outstanding achievement in children's programming," beating global hits *SpongeBob SquarePants* and *Dora the Explorer*. US networks have also picked up *Da Vinci's Inquest* and *Slings and Arrows*, and several Canadian children's shows are watched by audiences in over 100 countries.

Our government's commitment must grow with the sector

Although the cultural sector has grown significantly in the last decade, government cultural spending has decreased in the same period. While government support for the

¹ Canadian Film and Television Production Association (CFTPA), *Profile 2005: An Economic Report on the Canadian Film and Television Production Industry*, February 2005, p. 20.

² Canadian Film and Television Production Association (CFTPA), *Profile 2004: An Economic Report on the Canadian Film and Television Production Industry*, February 2004, p. 12

³ Alphonso, Caroline: "A great place to do business -- just no beacon for culture," *Globe and Mail*, August 2, 2005.

cultural sector may have increased in dollar terms, inflation has eroded the value of this support and as a result, government cultural spending decreased by 0.3% from 1992 to 2004.⁴ Put another way, adjusted for inflation, per capita government spending on cultural industries decreased by \$14 – falling from \$81 in 1992/03 to only \$67 per capita in 2002/03.⁵ Meanwhile, in the same period, Canada's Gross Domestic Product (GDP) grew by 39% and we experienced an 11% increase to our population. Moreover, the film and television sector has had exceptional growth, with the production and distribution sectors experiencing an annual average growth rate of 8.5% based on GDP over the last five years – a figure three times the average growth for all industries combined⁶.

Meanwhile, private investment in indigenous film and TV is at its lowest level in seven years. In June 2005, the Coalition of Canadian Audio-visual Unions (CCAU) issued a report entitled *The Need for a Regulatory Safety Net: Broadcasting Policy and Canadian Television Drama in English Canada in the Next Five Years*. The report found that conventional broadcasters' support for Canadian dramatic programming hit a seven-year low last year despite healthy advertising revenues and positive revenue projections for the foreseeable future. These English-language conventional broadcasters spent only \$53.6 million on Canadian drama in 2004, down from a high of \$73.0 million in 1998. At the same time, private broadcasters' spending on US shows rose by a whopping 54% since 1998, while their Canadian programming expenditures increased by only 8.5% – falling far short of the 12.8% inflation rate in the same period. The report also projected that private broadcasting will continue to be a lucrative business, with advertising revenues for the private conventional TV station groups likely to increase to between \$1.8 and \$1.9 billion in 2008 – an increase of over \$200 million from 2004.

In order to continue to provide Canadian audiences with quality television programming and feature films reflecting our Canadian sensibilities, more government investment is needed. The WGC urges the government to increase investment in the audio-visual sector by providing enhanced funding to the Canadian Television Fund, CBC and Telefilm Canada.

The reality of making quality Canadian dramatic programming

While dramas are the most popular type of programming, they are also the most expensive to develop and produce. In English-Canada, our films and television programs directly compete with mega-financed Hollywood fare for audiences. WGC statistics indicate that one hour of quality dramatic television programming costs about \$1.1 million to make. Our relatively small Canadian population base, further divided into English and French-language markets, makes it very challenging to produce high-quality productions without government support. As a result, the ability of our indigenous film and television sector to make stories written, directed and performed by Canadians depends on a strong partnership with government.

⁴ Hill Strategies Research, "Government spending on Culture in Canada, 1992-93 to 2002-03: Report prepared for the Canadian Conference of the Arts," July 2005, page 17.

⁵ Hill Strategies Research, "Government spending on Culture in Canada, 1992-93 to 2002-03: Report prepared for the Canadian Conference of the Arts," July 2005, page 21.

⁶ Statistics Canada 2004 data, as quoted in the CFTPA's 2004 submission to the Standing Committee on Finance dated November 23rd 2004. Note these figures exclude government transfers.

Market realities have demonstrated that only a robust, indigenous production sector, making programs written, directed and performed by Canadians, can provide stable and rewarding work opportunities for our creative talent and production crews. The soaring Canadian loonie, coupled with the growing interest of international audiences in their own shows, demonstrates that we can not rely on international sales to finance our indigenous production.

Like the proverbial canaries in the coalmine, Canadian screenwriters were the first to notice the decrease in indigenous television production due to the implementation of the CRTC's 1999 Television Policy. Canadian screenwriters work almost exclusively on home-grown productions because foreign service productions are created and scripted offshore long before they arrive to use Canada as a shooting location. Consequently, WGC members are largely excluded from this type of work. The WGC was the first industry group to raise concern over the decrease in indigenous dramatic production in 1999, calling for reinstatement of drama-specific exhibition and expenditure requirements on broadcasters. In 2002, the WGC became a founding member of the Coalition of Canadian Audio-visual Unions (CCAU) to bring together screenwriters, performers, directors and technicians to advocate for the reinstatement of conditions of license on networks to support the home-grown production sector.

While private investment in Canadian indigenous programming has declined, the need for stable, long-term public funding has become even more pronounced. If we want to ensure that Canadians will be able to continue to enjoy watching their own stories on television and at the movies in future, we need a stronger commitment from our government. In Canada, tight fiscal policy has resulted in a significant surplus this year. We believe it is important to use a portion of this to enhance Canadians' standard of living by making sound investments in culture. Therefore the WGC this government to provide the audio-visual sector with the requisite financial stability to facilitate longer-term planning to make film and television works for Canadians.

WGC Budgetary Priorities

The WGC would like to make three main recommendations in this review: (1) the government should provide the Canadian Television Fund and Telefilm with increased, stable, long-term funding, (2) the CBC should receive an increase in its parliamentary appropriation, and (3) the rate of the Canadian Film or Video Production Tax Credit (CFVPTC) should be increased to at least 30%. Each of these recommendations is discussed in more detail below.

1) Increased, stable, long-term funding for the Canadian Television Fund and Telefilm Canada

Canadian Television Fund (CTF)

Recommendation: The government should increase the current federal allocation to the Canadian Television Fund by \$95 million beginning 2006/07.

Since its inception in 1996, the government portion of the CTF has never increased, even though the cost of television production has been rising steadily over the years and we are in direct competition for viewers with large-budget U.S. programs.

The increase we are recommending takes into account three key factors: i) the cost of inflation since 1996 (\$20M), ii) the need to encourage a more rapid transition to high definition production (\$20M), and iii) the need to increase the overall level of production activity in English and in French to better meet broadcast demand (\$55M).

We also recommend these new resources be indexed to inflation for a minimum of five years. This will encourage a more predictable financing environment over several years, and allow the industry to at least keep pace with economic growth.

It's crucial that the CTF receive increased, multi-year funding from the government to allow the indigenous film and television sector to plan ahead, and to implement strategies to provide Canadian audiences with the quality programs that they deserve. This type of forward planning, including longer script and concept development, will yield far more successful programming than the current practice of last-minute cobbling together of shows allows.

Telefilm Canada

Recommendation: The government should increase the current federal allocation to Telefilm Canada by \$75.5 million beginning 2006/07.

The increase we are recommending includes \$10.5 million to cover the cost of inflation, plus an additional \$65 million in new funding.

Government support via Telefilm provides much-needed funding for the development, production and promotion of feature films through the Canadian Feature Film Fund (CFFF). The CFFF supports the distribution, export, versioning, marketing and industry promotion of Canadian film projects.

2) Increased funding for the CBC

Recommendation: The government should increase funding for the Canadian Broadcasting Corporation (CBC)

The CBC, as the public broadcaster, is enshrined as Canada's cultural guardian under the Broadcasting Act. The Act obliges the CBC to provide 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. This is a tall order that can only be achieved if the CBC is given the resources to provide quality programming to Canadians.

The development, production and broadcast of high-quality Canadian dramatic programming is central to the CBC's mandate. This type of programming is culturally essential and crucial to promoting and sharing our national identity with the world. But the CBC lacks the resources to deliver the kind of dramatic programming that Canadian taxpayers expect from the public broadcaster.

From 1993 to 1997, CBC funding was cut by more than \$400 million – or about 33%. Ironically, these funding decreases came at a time of soaring program development and production costs. Following the creation of the Canadian Television Fund in 1996, the

impact of these budget shortfalls was mitigated for a time because the CBC was granted a guaranteed envelope of up to 50% of the CTF. However, this was removed in 1999.

The CBC is the home of distinctive Canadian programming. The public broadcaster needs an appropriate level of resources to operate, so it is important that our government reinstate traditional levels of funding support to the CBC. This is needed to ensure that creative and other talent is properly compensated, with employment and health benefits. It is also needed to allow the CBC to reclaim its lead as the home of distinctly Canadian programming.

3) The Canadian Film or Video Production Tax Credit (CFVPTC) should provide sufficient incentive to develop, produce and air Canadian programming

Recommendation: The government should increase the rate of the Canadian Film or Video Production Tax Credit to at least 30%.

The CFVPTC supports productions using Canadian talent, thus providing an incentive for the production of Canadian content film and television programming. Despite assurances from the previous government that the CFVPTC would be increased, we are still waiting for this important change.

The 2003 budget increased the Production Services Tax Credit (PSTC) from 11% to 16%. This credit supports non-Canadian productions using Canada as a shooting location, but does nothing to benefit Canadian productions employing Canadian creative talent. That's because the PSTC does not require Canadian creative participation – it is calculated solely on the basis of the amount of money spent on labour costs in Canada. PSTC productions do not tell Canadian stories since foreign service production is usually developed and written by American screenwriters living in Los Angeles. Canadian screenwriters do not work on these shows.

While the WGC recognizes the need to support the industrial sector, it urges the government to ensure that public funds support homegrown talent first and foremost. We must ensure that there is not a shift away from productions using Canadian creative talent towards those benefiting from the enhanced PSTC. The WGC recommends that the rate of the CFVPTC (currently set at 25%) be increased to at least 30%. It is imperative that the spread is maintained between the CFVPTC and the PSTC to preserve a clear financial incentive to undertake Canadian productions.

Conclusion

Canadians have a right to our own unique brand of cultural expression. They deserve to see themselves reflected on both the small and big screens, especially since television shows and films are the most accessible cultural mediums for most Canadians. The WGC urges our government to prioritize the dissemination of our own culture through significant investment to support Canadian screenwriters and other creative talent so that we can continue to tell and experience our own stories.

Investing in the promotion of our Canadian voice is also a powerful nation-building tool and unifying force for Canadians across our country. Sharing our distinctive brand of humour, sensitivity and values is especially important in these fractious times. Simply

put, if we watch only Hollywood programs, we lose the opportunity to build our national pride and exchange the thoughts and experiences that make us all Canadians. Preserving and nurturing our cultural identity is worth the government investment.