



Writers Guild of Canada

**WGC WRITTEN SUBMISSION TO THE STANDING COMMITTEE ON FINANCE**

**HOUSE OF COMMONS**

**PRE-BUDGET CONSULTATIONS 2005**

**NOVEMBER 3, 2004**

**If a society consistently chooses the dramatic fantasies of another culture, they come to believe that their own reality is not a valid place on which to build their dreams. Their reality simply isn't good enough for dreaming.**

David Barlow, WGC member, quoted by Trina McQueen in *Dramatic Choices: A report on Canadian English-language drama*, May 2003

The Writers Guild of Canada (WGC) welcomes the opportunity to participate in the House of Commons' Finance Committee's 2005 Pre-Budget consultations.

The Writers Guild of Canada is the national association representing more than 1,900 screenwriters working in English-language film, television, radio and multimedia production in Canada. Screenwriters are the primary creators of Canadian productions; they are the voices that ensure our national identity is preserved. WGC members are the creators of Canadian stories including feature films like *Mambo Italiano*, indigenous dramatic series such as *DaVinci's Inquest* and *Corner Gas*, the popular mini-series *Trudeau* and *H<sub>2</sub>O*, and renowned children's programming like the *Degrassi* series. The WGC is committed to building a vibrant industry showcasing Canadian imagination and talent.

For over sixty years, the WGC and its predecessor has negotiated collective agreements setting out minimum rates and terms for screenwriters with independent producers and broadcasters. The WGC has negotiated separate Independent Production Agreements with the Canadian Film and Television Production Association (CFTPA) and the Association des producteurs de films et de télévision du Québec (APFTQ), representing English and French language independent producers in Canada. The WGC also has agreements with CBC Radio, CBC-TV, CTV, the NFB and TVOntario. By hosting events such as the Canadian Screenwriting Awards, and publishing its magazine *Canadian Screenwriter*, the WGC keeps writers in the spotlight.

Canadian screenwriters welcome the government's recent *Speech from the Throne* commitments to foster cultural policies that aspire to excellence. The government also pledged to support policies that reflect a diverse and multicultural society, respond to the new challenges of globalization and the digital economy, promote diversity of views and cultural expression, strengthen the country's social foundations, and secure for Canada a place of pride and influence in the world.

The WGC fully supports these important goals and asks that the government provide the requisite fiscal backing to achieve the stated objectives. In particular, Canadian screenwriters call for (1) stable and long-term funding for the indigenous film and television sector, (2) a rate increase to the Canadian Film and Video Production Tax Credit, and (3) reinstatement of tax averaging for independent contractors in the arts and media.

A vibrant indigenous audiovisual sector is both a nation-building tool and an important economic instrument to generate highly-skilled employment for Canadians. Our cultural sovereignty depends on our ability to express our unique Canadian perspective through film and television.

Culturally, television and feature films are our most potent story-telling mediums. Canadian television dramas including series, movies and sitcoms, and documentaries reflect our common experiences, hopes, dreams, and shared values. They provide a unique window on who we are, who we were and who we hope to be. If William Shakespeare were writing today, he would most likely be writing television drama. Dramas resonate with audiences like no other type of programming can. While headlines tell us that reality shows are popular, and their low production costs appeal to broadcasters, ratings consistently demonstrate that drama continues to dominate top ten program lists in Canada and abroad.

Canadian government-sponsored cultural programs also deliver returns. The indigenous film and television sector generates \$4.93 billion of production activity annually and employs over 133,400 Canadians in highly skilled jobs. Public funding provided about 16% of the total value of all Canadian productions certified by Canadian Audio-Visual Certification Office on average from 1996-2003. This means that each dollar of government support leverages over six dollars in other types of financing.<sup>1</sup> This 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.<sup>2</sup> Moreover, Canadian film and television works provide \$2.37 billion in annual export value including \$635 million annually in treaty co-productions.<sup>3</sup>

The WGC urges the Standing Committee on Finance to recommend the necessary budgetary measures to support Canadian programming written, directed and performed by Canadians.

### **A snapshot: the state of the Canadian film and television sector**

Despite the significant economic activity generated by the film and television sector, both the indigenous and export production sectors are currently in crisis. This downturn is reflected by WGC figures -- in 1999 there were 754.5 drama broadcast hours made in the WGC's jurisdiction, including export and indigenous production. By 2003 there were only 488 hours, representing a 35% decline in only five years.

Market realities including the soaring Canadian currency, the unpredictability of service production film shoots and the growing interest of international audiences in their own shows, demonstrate that export productions cannot sustain our industry. As audiences everywhere abroad develop a taste for their own film and television works, we can no longer rely on international sales to finance our production.

A strong indigenous programming sector is also the cornerstone of our domestic film and television industry. Foreign service production is notoriously fickle, as the SARS scare and the strong Canadian dollar have demonstrated. With no loyalty to Canada, foreign productions immediately relocated abroad, and continue to do so, leaving the service sector of the industry out of work and in crisis. Only a robust, indigenous production sector, making programming written, directed and performed by Canadians, can provide stable and rewarding work opportunities for our creative talent and production crews.

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<sup>1</sup> Ibid, Exhibit 14, p. 22.

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

<sup>3</sup> Ibid, p. 14, 31-32.

However, in recent years the indigenous sector has been crippled. One of the main reasons for this decline has been the CRTC regulatory change that implemented the 1999 Television Policy. This policy change removed expenditure and exhibition requirements for original Canadian dramatic programming from Canadian broadcasters, allowing them to fulfill their conditions of license with cheaper fare or repeats. As a result, in the WGC's jurisdiction we have seen the total number of episodes for home-grown Canadian one-hour adult dramas, drop from 147 in 1999 to only 90 in 2003 -- a 38.7% decrease. In the same period, children's drama series and movies of the week production have remained flat, failing to alleviate the steep decline in Canadian dramatic production.

Canadian screenwriters<sup>4</sup> are the proverbial canary in the coalmine, since they are the first to lose work when production declines. Because of this, WGC members felt the impact of the 1999 Television Policy immediately. The WGC was the first industry group to raise concern over the decrease in indigenous dramatic production in 1999 and call for reinstatement of drama-specific exhibition and expenditure requirements on broadcasters. In 2002, the WGC became a founding member of the Coalition of Canadian Audiovisual Unions (CCAU) which brings 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. 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 viability of our indigenous film and television sector making stories written, directed and performed by Canadians, depends on a strong partnership with government

### **WGC Budgetary Priorities:**

Canadian screenwriters recognize that the Federal Government faces many difficult choices in designing and administering a budget that both stimulates the economy and is socially responsible. The WGC urges the government and its agencies to support the Canadian domestic film and television industry in order to provide the requisite infrastructure and stability that will both support and create Canadian jobs and generate significant economic activity.

The WGC would like to address three key issues in this review: (1) stable and long-term funding for the Canadian Television Fund (CTF), Telefilm and the CBC, (2) a rate increase to the Canadian Film and Video Production Tax Credit (CFVPTC), and (3) reinstatement of tax averaging for independent contractors in the arts and media.

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<sup>4</sup> Canadian screenwriters work almost exclusively on home-grown productions. Foreign service productions are created and scripted offshore long before they begin using Canada as a shooting location. Consequently, WGC members are largely excluded from this type of work.

## **1. Stable and multi-year funding is crucial to the survival of the Canadian indigenous audio-visual sector**

The WGC urges the Standing Committee on Finance to recommend that the upcoming federal budget allocate permanent funding to the CTF, Telefilm and the CBC.

### Canadian Television Fund

CTF funding is often the essential first step in the complex financing system for Canadian television programming. Typically, CTF financing provides between 20–30% of the total production budget for Canadian dramas written, directed and performed by Canadians. This money “triggers” other funding sources including broadcaster license fees and distributor investments.

The CTF supports fully indigenous programming using the talent of Canadian writers, directors and lead performers, including: fiction (drama, comedy), documentaries, children’s, music, performing arts and variety programming. In 2002/2003, the CTF contributed \$266.3 million to Canadian productions, triggering \$834.2 million in production volume across the country. CTF investment resulted in about 2,600 hours of new programming.<sup>5</sup>

The 2003 federal budget wrought havoc on the indigenous production sector by reducing government CTF support by 25%. This cut threatened several critically acclaimed shows and reduced overall support for dramatic programming in particular. Despite a last minute policy decision to transfer \$12.5 million from the 2004 budget, the CTF cuts rocked the industry.

The WGC was relieved when the 2004 federal budget restored government CTF investment at \$100 million for two years and we anticipate that the second year of this commitment will be fulfilled in the 2005 budget. It is also crucial that the CTF receive long-term, multi-year funding from the government. This will allow the indigenous film and television sector to plan ahead and put into action strategies to develop Canadian programming including drama. 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.

The indigenous film and television industry cannot survive in such an unstable climate. As discussed above, Canadian indigenous programming, and drama in particular, is at an all time low.<sup>6</sup> In order to help ensure the future viability of a vibrant home-grown Canadian production sector, Canadian screenwriters urge the finance committee to ensure that the CTF is permanently funded at a level of at least \$100 million annually.

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<sup>5</sup> Canadian Television Fund 2002-2003 Annual Report, page 13.

<sup>6</sup> The drama decline was documented by the Canadian Coalition for Audio Visual Unions (CCAU) in a March 2003 report, *The Crisis in Canadian English-Language Drama*. A copy of the full report can be downloaded from our website at: <http://www.wgc.ca/crisis.pdf>

## Telefilm

Government support via Telefilm is an equally important element in fulfilling Canada's cultural objectives. Telefilm develops and promotes feature films through the Canadian Feature Film Fund (CFFF) which supports the distribution, export, versioning, marketing and industry promotion of Canadian projects. The WGC urges the Finance Committee to recommend that the government include at least a 5 year funding commitment to Telefilm Canada in the 2005 budget. The annual Telefilm budget should be at least at the current \$230 million level.

Canadian screenwriters also recommend that Telefilm's Screenwriters Assistance Program (SAP) receive reliable, multi-year government support. SAP is aimed at developing and retaining a pool of experienced screenwriters and Canadian feature film screenplays. The WGC has always been a strong SAP proponent and would like to see it continue to support Canadian creative talent in future for three main reasons:

- Firstly, SAP investment in the research and development phase (R&D) puts our industry on par with others where R&D is regarded as an essential component in generating a quality product. Script development can precede production for 2 to 5 years. By investing in the script development stage, SAP supports Canadian writers in the creation of stories that speak directly to our own experience.
- Secondly, by paying Canadian screenwriters for development, SAP contributes to retaining a talented pool of screenwriters. Screenwriters are increasingly expected to bear the financial costs of creating a script 'on spec' with little or no financing available for this crucial R&D stage of production. Unless screenwriters are paid for all stages of their work, the brain drain of writers moving south of the border to find paying work will only increase. Professional writers cannot afford to work for free and should not be expected to.
- Thirdly, SAP contributes directly to Telefilm's overall goal of increasing audience share for Canadian feature films. Strategic investment in script development drives production by ensuring that there is a sufficient inventory of high-quality scripts to move ahead in feature film production.

## CBC

Our public broadcaster, the CBC, is legally enshrined as Canada's cultural guardian, required to promote Canadian values and express the national identity. The Broadcasting 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. The CBC can best meet its mandate by developing, producing and airing high-quality Canadian dramatic programming -- this type of programming is culturally essential and crucial to promoting and sharing our national identity with the world. However, budgetary cuts have significantly reduced the CBC's ability to fulfill its mandate and provide audiences with the high-quality dramatic programming that they expect.

Previously, the CBC was the lead broadcaster for several high-quality series (*DaVinci's Inquest*, *Emily of New Moon*, *These Arms of Mine*, *Nothing Too Good For A Cowboy*,

*Riverdale, Wind at My Back*), but its current slate is drastically reduced. In the 1990s, the government imposed some \$390 million cuts to the national public broadcaster, reducing its allocation by about one-third. Ironically, these funding decreases came at a time when most industry observers agreed that development and production costs were increasing. 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.

As a result, the future of CBC dramatic broadcasting is in jeopardy. Although recent budgets granted the CBC an additional \$60 million over its core parliamentary appropriation, these funds were not channeled to drama production – CBC news releases confirmed that the funds would be used for local and regional programming.

The WGC urges the government to adopt the recommendation made in the Standing Committee on Canadian Heritage's *Our Cultural Sovereignty* report to provide the CBC with increased and stable multi-year funding (3 to 5 years) so that it may adequately fulfill its mandate as expressed in the *Broadcasting Act*. This budgetary commitment will allow the CBC to fulfill its mandate through support for quality dramas, documentaries, local/regional programming, and the news and sports programs that Canadians demands.

**(2) The Canadian Film and Video Production Tax Credit (CFVPTC) must provide sufficient incentive to develop, produce and air Canadian programming**

The Federal government made a decision in the February 2003 budget to reduce support for indigenous production while increasing resources for Americans using Canada as a shooting location. The WGC calls on the Finance Committee to restore the balance between the industrial and indigenous production sectors. In discussions with officials, our industry was promised that this reduction in support would be addressed, but we are still waiting for tangible action.

In 2003 the Production Services Tax Credit (PSTC), which supports non-Canadian productions using Canada as a shooting location, was increased from 11% to 16%. Government officials estimate this cost at \$25 million annually. By supporting foreign productions shot in Canada, the PSTC does little to benefit Canadian creative talent. PSTC productions are not telling Canadian stories - since foreign-service production is developed and written mainly by American screenwriters living in Los Angeles, Canadian writers do not work on these shows.

While the WGC recognizes the need to support the industrial sector, it urges the Finance Committee to take action to ensure that public funds support homegrown talent. We must ensure that there is not a shift away from productions using Canadian creative talent towards those benefiting from the enhanced PSTC. Significantly, 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. The Canadian Film or Video Production Tax Credit (CFVPTC), on the other hand, requires productions to use Canadian talent, thus providing an incentive for the production of Canadian content.

The WGC welcomed the November 2003 changes to the CFVPTC made by the Departments of Finance and Heritage. Those changes went a far way to simplify the

application of the tax credit. The next step must be an increase to the Canadian tax credit to provide a clear financial incentive to develop, produce and air distinctly Canadian projects.

The WGC fully supports the Standing Committee on Canadian Heritage's *Our Cultural Sovereignty* report recommendation that the Federal Tax Credit be reviewed to ensure that it benefits Canadian production and Canadian talent. The WGC recommends that the rate of the CFVPTC (currently set at 25%) be increased to at least 35%. It is imperative that the spread is maintained between the CFVPTC and the PSTC to preserve a clear financial incentive to do Canadian production. Given that the February 2003 budget substantially increased the PSTC, from 11% to 16%, we recommend that at least the same percentage increase be made to the CFVPTC.

### **(3) Income averaging for self-employed workers**

Self-employment in the film and television sector is a fact of life and a forerunner to the trend towards out-sourcing affecting most industries. While the common perception is that self-employment affords perks denied to regular employees, the opposite is often true. For example, self-employed individuals cannot access Employment Insurance and other social benefits provided to employees. This means that they must tap into RRSPPs or other savings (where they exist) to weather periods when work is in short supply.

Reinstatement of income averaging for screenwriters and other self-employed persons is an important step towards alleviating the economic pressures on this sector of workers. For example, a screenwriter developing a film or television work may face years of earning little or no income for his or her writing. It is only once that script or concept is "optioned" that money may begin flowing to the screenwriter(s) involved in the project. However, this payment would likely result in the screenwriter paying considerably higher taxes on that income than would have been paid if it was averaged over the entire development period. Income averaging the screenwriter's income for tax purposes over a 5-year period would rectify this unfair tax system.

The Standing Committee on Finance has recommended implementation of income averaging to the Department of Finance in the past<sup>7</sup> and WGC calls on the committee to ensure that income averaging is enshrined in the 2005 federal budget. The WGC supports the recommendation made by the Canadian Conference of the Arts that the federal government implements a system of income back averaging on a 5 year basis to address the needs of self-employed workers who face significant income fluctuations.

### Conclusion

Canadians have a right to our own unique brand of cultural expression and for most taxpayers films and television are by far the most accessible cultural mediums. While US shows may be entertaining, a steady diet of them will have us dreaming in "American" at a time when, more than ever, we need Canadian dreams to bind us together. The WGC urges the Finance Committee to recommend that our government take bold steps to support Canadian creative talent and our country's ability to tell its own stories.

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<sup>7</sup> Report of the Standing Committee on Finance, *Facing the Future: Challenges and Choices for a New Era*, December 1998.