



WGC WRITTEN SUBMISSION TO THE STANDING COMMITTEE ON FINANCE

PRE-BUDGET CONSULTATIONS 2010

August 13, 2010

Executive Summary:

The Writers Guild of Canada (WGC) welcomes the opportunity to participate in the House of Commons Finance Committee 2010 Pre-Budget consultations.

This year the Finance Committee has requested that Canadians share their Budget priorities with the Committee. In this brief the WGC will focus on the importance of screen-based media to Canadian culture and the need to maintain and in some cases improve federal support of Canadian screen-based media.

As Minister of Heritage James Moore wrote in his Minister's Message in the Department of Heritage's Plans and Priorities Report for 2010-11, "Arts and culture are essential to our communities and our economy . . . This year, through Canada's Economic Action Plan, the Department is investing over \$170 million in our country's artists and cultural organizations." The Economic Action Plan will expire at the end of fiscal 2011 but the need to commit government support to Canadian arts and culture will not expire. The WGC calls on the government to continue to support Canadian arts and culture in Budget 2011. Specifically, the WGC recommends that Budget 2011 include the following:

WGC Budgetary Priorities

The WGC would like to make the following recommendations in this review:

- (1) Renewal of the Canada Media Fund with additional funding, indexed to the rate of inflation;
- (2) Renewal of the Canadian Feature Film Fund, indexed to the rate of inflation;
- (3) Augmented funding for the CBC;
- (4) Amendment of the Canadian Film or Video Production Tax Credit to allow for eligibility of videos made for digital platforms; and
- (5) Implementation of an interactive digital media tax credit.

Brief

Introduction

The Writers Guild of Canada (WGC) welcomes the opportunity to participate in the House of Commons Finance Committee 2010 Pre-Budget consultations. The WGC is a national association representing over 2000 professional screenwriters working in English-language film, television, radio and digital 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. In most digital media production, the screenwriter is an essential participant in the creative process. As storytellers, screenwriters 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 such as *Barney's Version*, indigenous dramatic series such as *Flashpoint* and *Heartland* and digital media projects like the *My Pal Satan* web series. The WGC is committed to building a vibrant industry showcasing Canadian imagination and talent and preserving our unique culture.

Market forces alone cannot support Canadian culture, dominated as we are by the U.S. market. The government has acknowledged this on many occasions and particularly each time it has implemented cultural support programs over the years. Mr. Konrad von Finckenstein, the Chair of the CRTC, reiterated this when he said in the context of television support through the Canadian Television Fund:

“First, we live next door to the United States. It is the biggest media production market in the world. Its output of programming is prodigious. It's popular. It's available in Canada at a fraction of its cost and our broadcasters make money on it. In order to survive against that competition, our own programming needs some help.”¹

The reality is that government financing for the cultural sector has declined in real terms over the past decade.

Investing In Canadian Film, Television and Digital Media Makes Business Sense

Canadian government-sponsored cultural programs also deliver hard economic returns and generate employment for Canadians. The Canadian film and television industry generated over \$5 billion of production activity in 2008-09, and generated over 131,000 full-time equivalent direct and indirect highly-skilled jobs in Canada.² Direct public funding (public financing and the public broadcaster) provided about 40% of the total value of all Canadian productions certified by the Canadian Audio-Visual Certification Office on average in 2007-08. This means that each dollar of government support leveraged over a dollar in other types of financing.³ At the same time, interactive digital media generated \$3.8 billion in revenues in 2009 and over 51,000 full-time equivalent highly-skilled jobs.⁴

Film, television and digital media also have a spin-off economic impact (eg. spending on truck rentals, catering, hotels and household spending by those employed in film, television and digital media). Clearly, government investment in the indigenous film, TV and digital media sectors enhances Canada's economic health and future productivity while helping to define us as a nation.

¹ Speech by Konrad von Finckenstein to the Banff World Television Festival, June 19, 2008

² Canadian Film and Television Production Association (CFTPA), *Profile 2009: An Economic Report on the Canadian Film and Television Production Industry*, February 2009, p. 8

³ Canadian Film and Television Production Association (CFTPA), *Profile 2009: An Economic Report on the Canadian Film and Television Production Industry*, February 2009, p. 30.

⁴ 2008 Canadian Interactive Industry Profile, February 2009, pg. 9

Private investment in indigenous film and TV is at its lowest level in ten years. Conventional broadcasters' support for Canadian dramatic programming continues to drop. In a tough economic climate, broadcasters chose to reduce their spending on Canadian drama but increase their spending on foreign drama. In 2009, private English-language broadcasters spent \$23.6 million on Canadian drama, down from \$62 million in 2000. Meanwhile, their spending on non-Canadian drama rose from a ratio of 6 times that spent on Canadian drama in 2000 to 24 times that spent on Canadian drama in 2009⁵. The CRTC's 2010 TV Policy, which sets Canadian programming and drama expenditure requirements for broadcasters, may prevent this disturbing trend from continuing once it is implemented in the 2011-12 broadcast year. However, there appears to be an entrenched attitude among private Canadian broadcasters that they will do the minimum required to meet regulatory obligations and spend the rest of their budget on expensive U.S. programming.

Meanwhile Canadian audiences are increasingly looking to digital platforms for their entertainment. This includes traditional media being distributed digitally online and on mobile platforms but also original content being created for digital platforms. Business models for digital markets are slowly developing but few stakeholders are willing to risk capital until those business models are as predictable as those in traditional media. There is therefore an even greater need for government support for original content for digital platforms than with traditional media. Without such support, Canadians will not have quality Canadian digital content to choose from when they visit digital platforms for their entertainment and information.

If we want to ensure that Canadians will be able to continue to enjoy watching their own stories on television, at the movies and on their computer screens in future, and if we want Canadian cultural companies to be able to compete with foreign companies doing business in Canada and to compete internationally, we need a strong commitment from our government. Government support for film, television and digital media must be continued and enhanced.

Canada Media Fund

The WGC is looking forward to seeing the impact of the changes to the Canadian Television Fund ("CTF") brought about by the Department of Heritage for the 2010-11 fiscal year. The new Canada Media Fund ("CMF") will encourage broadcasters and producers to develop and create content for multiple platforms so that Canadians have the choice to watch and interact with content when and where they choose. The Convergent Fund requires that in order to be eligible for financing from the CMF television programs must either have value-added associated interactive content or be available on streaming online. The Canadian New Media Fund was enhanced and transferred to the CMF with the mandate of financing experimental interactive projects which are not associated with television programs.

However, the WGC is concerned that the CMF is being asked to fund more projects and meet more goals without being given more money. In combining the old Canadian Television Fund with the Canadian New Media Fund, no new monies were allocated by the Department of Heritage. While the cable and satellite companies have increased their contributions due to increases in their revenues, as their contribution is a

⁵ CRTC Statistical and Financial Summaries

percentage of their revenue, these annual increases have been relatively small compared to both the CMF's sweeping new mandate and the increased cost of producing internationally competitive high quality Canadian drama⁶. While budgets are higher and the need for CMF's contribution is greater there are less funds available for traditional television programming, as the CMF is now funding value-added digital content in the Convergent Fund, has allocated more money to the Experimental Fund and has a number of new programs such as third language programming and producer incentives. The majority of Canadian audiences are still watching traditional television. The CF needs sufficient resources to be able to both maintain their level of funding for high quality television programming and to adequately fulfill their new mandate.

The CMF is due to be renewed on April 1, 2010. The CMF warrants renewal and indexation to inflation. The CMF is an essential element of the Canadian television production industry. The CMF contributes on average 24% of the budgets of Canadian television programming. Should the CMF not be renewed it is unlikely that private investment would be able to cover a shortfall of that size. Now that the CMF is supporting the growth of convergent media and digital media companies as well as traditional television media, the impact of failing to renew it would be felt throughout digital media as well as television. A timely renewal would remove uncertainty and encourage stakeholders and staff to keep working to implement the envisioned changes to the CMF.

Telefilm Canada: Canadian Feature Film Fund

Successive governments have made a commitment to develop an indigenous feature film industry. The Canadian Feature Film Fund (CFFF) is a major supporter of that goal by providing much-needed funding for the development, production and promotion of Canadian feature films. It is unlikely that without the assistance of the CFFF, Canadian feature films such as *Away From Her* and *One Week* would have been produced. These three films are examples of uniquely Canadian features that were major hits with Canadian audiences. The Film Fund should be renewed for a further five year period after it expires March 31, 2011 and indexed to inflation as a demonstration of the continued commitment of this government to having our own feature films in Canadian theatres.

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. Increasingly this mandate now includes creating content for digital platforms and using these new platforms as tools to reach Canadians wherever they are in Canada. This is a tall order that can only be achieved if the CBC is given the necessary resources to fulfill their mandate.

⁶ According to WGC internal statistics, the median budget for one hour dramas has increased steadily from \$1.2 million in 2005 to \$1.6 million in 2009.

The CBC is the home of distinctive Canadian programming such as *Heartland*, *Being Erica* and *Little Mosque on the Prairie*. The CBC.ca website streams programs to provide Canadians with added opportunities to catch their favourite shows. This all is expensive to do, particularly when the government has not increased the CBC's parliamentary appropriation in over ten years. Increasingly the schedule is being filled with low budget programming such as *Halifax Comedy Festival*, international co-productions such as *The Tudors* and U.S. programs such *Wheel of Fortune* and *Jeopardy* as the public broadcaster looks for ways to reduce their costs and increase their revenues so that they are able to meet their legislated mandate. The CBC needs an appropriate level of resources to operate so that it can meet its goals as a public broadcaster rather than chase advertising dollars like any private broadcaster. The WGC supports the recommendation of the Standing Committee on Canadian Heritage that the CBC's annual allocation be increased to the equivalent of \$40 per Canadian.

Canadian Film or Video Production Tax Credit

The Canadian Film or Video Production Tax Credit ("CFVPTC") is an effective financing mechanism that supports the development of a Canadian talent pool for film and television production as it is based on labour expenditure. In order to qualify for the CFVPTC, a production must have either a theatrical release or a broadcast licence. Unfortunately, this means that audio-visual programming that has been produced for web or mobile distribution (e.g. *My Pal Satan*) cannot access the CFVPTC even though it is produced in the same way as traditional film and television. There are very few funding sources for this form of content even though it is growing in popularity. Amending eligibility to the CFVPTC would be an easy solution that would allow more and higher quality web or mobile series to be produced. It would support the development of a talent pool that is skilled in new forms of storytelling and methods of distribution.

Interactive Digital Media Tax Credit

The WGC would also like to propose an interactive digital media tax credit modeled after several of the provincial interactive digital media tax credits. Digital media is no different than television, radio, music, books and magazines. Canadian digital entertainment must also be supported to ensure that Canadians have the choice to interact and entertain themselves with Canadian digital content. A labour-based tax credit has been very successful in building and supporting interactive media industries in several provinces. The WGC is therefore recommending that the federal government create an interactive media tax credit modeled on the interactive tax credits available in a number of provinces. This labour-based tax credit would encourage the use and development of Canadian interactive media labour.

Conclusion

Supporting our unique Canadian voice is a powerful nation-building tool and unifying force for Canadians across our country. Sharing our unique brand of humour, sensitivity and values with each other and with the world is especially important to both generations of existing Canadians and newly arrived Canadians trying to figure out our world. The WGC calls upon the government to demonstrate its commitment to Canadian screen-based media by renewing programs up for renewal, continuing to support all programs aimed at Canadian film, television and digital media and increasing funds by at least 4% to cover inflationary increases.