

FILMONTARIO

F I L M • T E L E V I S I O N • I N T E R A C T I V E

24 January 2020

Julia Douglas
Committee Clerk
Standing Committee on Finance and Economic Affairs
99 Wellesley Street West
Room 1405, Whitney Block, Queen's Park
Toronto, ON M7A 1A2

Sent by email: comm-financeaffairs@ola.org

Dear Standing Committee Members:

FilmOntario is pleased to submit the following comments regarding the 2020 Provincial Budget. This Budget is an opportunity for the government to reiterate its commitment to ensuring certainty for Ontario's film and television industry and the industry's tax credits, while at the same time providing some key tools to build the industry and ensure that the province remains one of the best places in the world for film and television production.

Our members especially appreciated the 2020 Budget Commitment to create a Film and Television Advisory Panel that would report to the Ministers of Finance and Heritage, Sport, Tourism and Culture Industries. We are very much looking forward to participating in this Panel and hope that its work gets started soon.

In 2018, FilmOntario members generated a record-breaking \$1.9 billion in production spending, which translates into a contribution of \$2.73 billion to provincial GDP.¹ Premier Ford has often noted that he would like to see a \$5 billion film and television industry in this province – a goal that we share. To reach this goal, we will need to develop an improved toolkit for growth, one which includes an enhanced package of incentives, including tax credits, as well as training and re-training programs that are designed to ensure that we create the type of workers that are needed to keep Ontario's film and television sector at the forefront of this global industry.

This submission contains short-term solutions that will have an immediate impact on Ontario's competitiveness as a production jurisdiction. We look forward to working with the Film and Television Advisory Panel on an improved toolkit for the sector so we can build the industry together through 2020 and beyond.

Who We Are

Founded in 2003, FilmOntario is a privately-funded industry consortium representing organizations from across the province's screen-based sector. Our membership includes Ontario-based production companies, unions, studio owner/operators, equipment suppliers, production service providers, and other organizations in the province's screen-based industry. It also

¹ "Ontario's Screen-based Industry: An Economic Profile for 2018, prepared by NGL Nordicity Ltd. for FilmOntario, October 2018.

includes the Canadian Media Producers Association (CMPA), Canada's trade association for independent producers; the CMPA represents hundreds of companies engaged in the development, production and distribution of English-language content for TV, feature film and digital media channels.

Our emphasis is on marketing Ontario as a screen-based content creation and production jurisdiction, and on working with all levels of government to ensure that their policies and programs continue to support Ontario's competitiveness in the global market. Due to our unique structure and widespread membership, FilmOntario is able to bring everyone to the table so that we can speak with one voice on the issues and opportunities facing the province's film and television industry.

Ontario's Film and Television Industry

Ontario is home to most of Canada's English-language broadcasters and distributors, as well as a robust independent production sector. The film and television tax credits have been and continue to be an effective tool to ensure that Ontario remains open for business for film and television production. Every \$1 million spent on the credits creates 109 direct and spin-off jobs and contributes \$7.4 million to provincial GDP. They are also an economically sound investment for the government – returning \$1.22 in provincial and municipal taxes and fees to government coffers for every dollar that is paid out. By 2022, that number will grow to \$1.24.² As noted, all of this added up to \$1.9 billion in production spending across Ontario by our members in 2018, creating over 37,000 jobs.³

Ontario is unique among jurisdictions with large film and television industries because the work here is split almost evenly between shows made by foreign (mostly U.S.) producers who choose to film here and by domestic producers who own and exploit their own intellectual property (IP). These Ontario-based producers have created long-running audience favourites such as *Murdoch Mysteries*, which recently aired its 200th episode and is available in 110 countries and territories around the world, as well as newer hits like the Emmy-nominated *Schitt's Creek*, *Kim's Convenience*, and *Cardinal*, which is shot in northern Ontario. Our feature filmmakers also reach worldwide audiences, with recent successes including the first-ever documentary to open the Toronto International Film Festival (TIFF) *Once Were Brothers*, and *The Breadwinner*, which is based on a novel published in Ontario, which received an Oscar nomination for Best Animated Feature. The ability for Ontario-owned companies to develop their own IP is a crucial component in building a sustainable industry that creates jobs here at home and showcases Ontario to the world.

With our existing and growing infrastructure, well-trained and world-class on- and off-screen talent, unique locations, diverse population, and stable provincial incentives, Ontario's screen-based sector is well-positioned to take advantage of the current period of increasing worldwide growth and opportunity for their products. This is how we are able to attract critically-acclaimed TV series and movies from outside our borders, including *The Handmaid's Tale*, *Star Trek*, *The Umbrella Academy*, *Shazam!* and the Oscar and Golden Globe winning *The Shape of Water* to

² Ibid.

³ Ontario Creates Production Statistics, www.ontariocreates.ca.

make their shows in Ontario. And while traditional broadcast models are evolving, the continued expansion of over-the-top programming services like Netflix, Amazon, Hulu, Apple, and Crave are driving unprecedented levels of demand for screen-based content. In 2019, there were 532 scripted series produced for the U.S. market, a seven percent increase over 2018 and part of a trend dating back at least 10 years of increasing production demand.⁴ We want to make sure that Ontario is well-positioned to compete for productions from around the world, while maintaining and growing our domestic industry.

While demand for content is growing, global competition for production dollars continues to be strong, as jurisdictions around the world implement tax incentives and invest in production infrastructure in order to support content creation. The Ontario government's 2019 Budget commitment to stability for the film and television tax credits was a much-needed message of certainty for the industry, signalling that Ontario is open for the film and television production business. FilmOntario would like to thank the government for this clear sign of confidence in the industry.

Stable and Effective Tax Credits

Tax credits play a key role in determining where a production gets made. Studios and producers can choose from jurisdictions around the world, and competitive pricing is always important. In addition, decision-makers need to know that the incentives they have factored into their budgets are reliable. Feature films can take several years to develop and produce, and a successful and long-running television series can bring production jobs and investment to a jurisdiction for many years. Companies need to know that there will be no surprises that will upend their business plans during those years of work.

Since Ontario's film and television tax credits were created by the Conservative government in 1997, the province's independent production spending has tripled from \$635 million to today's level of \$1.9 billion,⁵ as well as bringing the other economic benefits and return on investment noted above. This can be contrasted to other jurisdictions with less stability, such as Nova Scotia, where their tax credit was discontinued in the 2015 provincial budget and replaced with a capped incentive fund. Production spending decreased by 45% in the year following that change. Employment also decreased after the cut, from 1,160 full-time jobs in 2014 to 880 in 2017, as industry workers left the jurisdiction in search of better opportunities elsewhere.⁶

The certainty provided by the government in the 2019 Budget laid the foundation for increased investment and job creation in Ontario's film and television industry. Building on this foundation, FilmOntario has been working with industry and government partners to identify elements of the tax credits that could be modernized and streamlined in order to reduce red tape for business owners. The following suggestions would assist in maintaining the province's competitive position as a filming jurisdiction:

⁴ John Koblin, "Peak TV Hits a New Peak, With 532 Scripted Series," *The New York Times* (www.nytimes.com) 9 Jan 2020.

⁵ Ontario Creates Production Statistics.

⁶ NGL Nordicity Group Ltd.

- committing to a service standard of 12 weeks from the time a tax credit application is submitted to when a Certificate of Eligibility, which allows a producer to file their claim with the Canada Revenue Agency (CRA), is issued by Ontario Creates;
- updating the broadcast triggers in the Ontario Film and Television Tax Credit (OFTTC) and Ontario Production Services Tax Credit (OPSTC) to reflect current licensing and business realities in general and specifically to ensure that shows produced for all kinds of streaming services (including both ad- and subscription-supported) are eligible for the credits;
- simplifying residency requirements so that individuals who are residing in the province during the year of the production are eligible labour for all the film and television credits;
- reducing administrative complexity in the Ontario Computer Animation and Special Effects (OCASE) tax credit by allowing producers making on-set visual effects claims to file their OCASE and OFTTC/OPSTC claims at the same time;
- expanding OPSTC eligibility to incorporate all location fees paid to taxable Ontario individuals and companies; and
- correcting what appears to be a drafting error in the OPSTC to ensure that all labour expenditures, including those paid to a loan-out company or an independent contractor, are considered eligible labour expenditures for the purposes of calculating the labour threshold of 25% of a production's total expenditures.

These changes to the tax credit system will ensure that the credits continue to be an effective tool in attracting jobs and investment to the province. Combined with the government's ongoing commitment to certainty for the industry, they will ensure that Ontario remains open for business for film and television production.

Additional Targeted Support for Ontario-Based Content Creators

As noted above, one of Ontario's biggest strengths as a production jurisdiction is its almost even split between foreign-based productions that choose to shoot here and productions created by Ontario-based companies who create and exploit their own, original IP. The worldwide growth in demand for screen-based content presents many opportunities for these Ontario companies, but also means they face strong competition in the marketplace.

Support for domestic content creation is key to growing our screen-based ecosystem. It is essential that Ontario-based producers are able to continue to tell their own stories, develop and exploit original IP, and re-invest in local businesses so that they can grow and thrive right here at home. Ensuring that domestic content creators have a solid foundation in their own market makes them stronger and better able to compete on the crowded world stage.

Ontario's domestic content creators can be supported in two key ways:

1. *Reinstate the \$10 million IP Development Fund, which provided support on a company basis for early stage development activities.*

The IP Development Fund ran as a pilot program starting in 2009 and provided companies with the opportunity to receive a rebate of 30% of their early stage development expenditures, for up to \$150,000 per corporate group. Through this program, 182 companies received support for 1,060 early-stage projects, giving them increased access to capital to develop proprietary properties and allowing them to leverage an additional \$4.98 in financing for every dollar rebated.⁷

Reinstating this Fund on a permanent basis would increase Ontario companies' ability to create and retain their rights to their original IP, to exploit that IP in the global marketplace, and to re-invest in their companies right here at home, all of which are crucial elements of building a sustainable industry in the province.

2. *Triple the size of the Ontario Creates Film Fund (to at least \$15 million / year) to provide greater support to Ontario's feature film producers.*

The Ontario Creates Film Fund provides production and development support for Ontario producers creating IP in the province. In the 2018-19 fiscal year, the Fund invested \$5.6 million in 45 feature film projects by Ontario producers. Each dollar of this modest investment generated an additional \$20.66 in additional production financing and overall the projects created 17,327 weeks of work.⁸ Some of the films funded in that fiscal year included *The Grizzlies*, *Stockholm* and *Anthropocene: The Human Epoch*, all of which screened at TIFF and received Canadian Screen Awards.

These are tremendous achievements given the Fund's current size. However, filmmakers in Quebec benefit from government investment which exceeds \$35 million annually,⁹ in addition to tax credits, giving them a huge advantage in financing their films in their home province. Tripling the Film Fund would allow Ontario Creates to consider different types of investment, build upon the current successes, and bring a greater return to the province of Ontario.

Implementing the re-invigorated IP Fund and the increases to the Film Fund would require consultation with Ontario Creates and the industry to create or update guidelines to ensure decision-making in the programs continues to be efficient, reliable and effective. Given the Agency's successful track record in program delivery, we are confident this can be achieved in order to deliver excellent results for the province and the industry.

NOHFC Support

We would like to note the importance of the NOHFC support in supporting the growth of the film and television industry in northern Ontario. Providing incentives for ongoing series including *Cardinal*, *Carter*, *Letterkenny* and feature films including *Indian Horse* and *Born to be*

⁷ Numbers provided by Ontario Creates.

⁸ Ontario Creates, *2018-19 Year in Review*, www.ontariocreates.ca.

⁹ SODEC, *2018-19 Annual Report*, www.sodec.gouv.qc.ca.

Blue have meant that the benefits of Ontario's robust film and television industry are spread throughout the province.

The success of the program is evident in the increased levels of production and the increasing levels of private industry investment in infrastructure and training across Northern Ontario. Film and television companies are creating opportunities for young people and re-training workers to develop good careers in the north.

However, the increased level of filming is putting increased demands on the NOHFC and as with any program that sees this kind of growth, a smaller percentage of productions applying to the program are receiving support. In addition, FilmOntario members have reported longer decision timelines and less predictability in the amounts being awarded.

As we have noted above, certainty in the industry is a key element in maintaining Ontario's competitiveness as a filming jurisdiction. We would like to work with the government on ways to ensure that NOHFC support remains effective and provides certainty as the industry continues to grow all across the province.

Ontario Creates

As noted earlier, Ontario Creates has a successful track record in program delivery. The Agency continues to be an important partner in building and growing the province as a leading production jurisdiction. Their programs and the marketing support they provide ensure that Ontario and its film and television production industry is at the forefront of a competitive global marketplace.

All the Agency's activities are important; however, we would like to express our specific appreciation for the work that has been done to date in improving tax credit processing times. Over the past few years, these processing times have been reduced from between 47 and 58 weeks to now being between 13 and 34 weeks, depending on the credit. This is a significant improvement which makes a real difference to our members who must rely on bank financing for their shows while waiting for their tax credits. Faster turnaround times make the tax credits more efficient, helps ensure that there is more money available for creating the on-screen product, and makes Ontario more competitive as a jurisdiction. Thank you to the staff at Ontario Creates for working with us to achieve this improvement.

Looking to the Future

The certainty the government has given the industry has led to a period of growth, as witnessed by the investments made by private companies in studio infrastructure. In September, CBS opened its first studio in Canada in Mississauga. This studio has six soundstages in a 260,000 square foot facility. It is expected to generate over \$200 million in annual expenditures with 300 people working on an average day when the studio is full. Additional studios are expected to open this year and next, with 2.3 million square feet of new studio infrastructure being constructed all across the province, including Ottawa, Pickering, and more spaces in Mississauga.

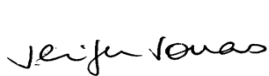
This growth is creating an even greater need for a diverse and well-trained workforce to ensure we can continue to build our domestic industry while at the same time accommodating the foreign productions coming here. The government's recent highlighting of the skilled trades as career options has been much appreciated, as many of the jobs in the film and television industry fall into this category.

It is, however, important that government training programs consider the needs of our sector. The film and television industry is unique in that a large portion of our workers do not have typical employer / employee relationships and a great deal of training is provided by unions, rather than employers. We hope that as the government continues to improve the training available to the skilled trades, they keep these important differences in mind. In addition, different incentives may be needed to develop other parts of the industry, such as encouraging foreign productions to make better use of local talent when they film here, especially local performers who often have to leave the province to get cast in the type of shows that film here. We look forward to working with all our government partners to make sure existing programs and any new programs work for our sector.

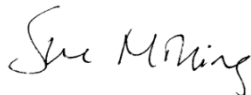
Once again, we would like to thank the government for the certainty it has provided to the film and television industry through its commitment to stable and effective tax credits. The short-term suggestions provided here will build on that foundation to ensure that Ontario continues to be a leading jurisdiction for film and television production, attracting many more jobs and investment to the province. And we especially look forward to working with the Film and Television Advisory Panel, once launched, to create a toolkit that will help the sector become a \$5 billion industry.

If you have any questions about any of the above, please do not hesitate to contact Cynthia Lynch at clynch@filmontario.ca or (416) 642-6704. Thank you again for your support.

Sincerely,



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Sue Milling
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Cynthia Lynch
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cc: The Honourable Rod Phillips
Minister of Finance

The Honourable Lisa MacLeod
Minister of Heritage, Sport, Tourism and Culture Industries