

June 16, 2009

Dear industry colleague,

As has been our practice for some time, we're writing you to give you a mid-year update on recent news affecting Ontario's film, television and interactive industry.

As you know, we're planning an industry town hall on June 18th at Filmport - details appended. Please join us for an update on the progress of our 'ask' to see Ontario match the recent Quebec announcement on service incentives and discussion of our various other issues.

Ontario's film, television and interactive industry did well in the March 26th provincial budget.

Some important gains:

- The province of Ontario eliminated sunset clauses in its tax credit system for both domestic and service. At a time when many jurisdictions in North America have failed to sustain or fully fund tax credit regimes, this sends an important message of stability and predictability.
- Our province's visual effects tax credit , OCASE, was significantly enhanced. Labour costs from freelance workers are now fully included (they were previously discounted by 50 per cent), and the inclusion rules of this credit have been broadened. These important changes address a critical competitive disadvantage our industry has had to manage.
- The Ontario Interactive Digital Media Tax Credit has enhanced tax credit rates, expanded eligible labour expenditures and extended the tax credit to more fee-for-service arrangements, making it the most competitive tax credit of its kind in the world.
- The Ontario Media Development Corporation received \$20 million in program funding.

- The province is funding a pilot project to develop a new "intellectual property" tax credit targeted at Ontario content creators. If the design goals of this project are met, the province will provide a financial incentive to creative companies who build and retain intellectual property - an interesting new business tool which should improve our bench strength and competitiveness.

Many people worked to achieve all of these gains, including our colleague OMDC Chair Kevin Shea, OMDC CEO Karen Thorn-Stone and her excellent staff: our colleagues in our province's FX industry, CASO; our colleagues at Interactive Ontario, Toronto Film Commissioner Peter Finestone; and our own Managing Director Sarah Ker-Hornell, as well as several hard-working committees of our Board at FilmOntario.

By working closely together, by agreeing on a clear, coherent set of proposals, by avoid complexity or disarray, our industry has achieved significant advances in partnership with our provincial government.

This year's improvements join tax credit and program enhancements in the past five years that have delivered over \$600 million in additional provincial investment in our industry.

Some other significant developments:

- Production infrastructure continues to be a significant concern. It has been widely reported that Filmport is going through a financial and ownership restructuring. Other key studio providers are working to find means to maintain and expand facilities. After a protracted period of litigation before the Ontario Municipal Board, the future of the retrofit warehouses at 629 Eastern remains highly uncertain. The Toronto Film Board and FilmOntario are taking a careful look at these issues and are considering proposing a New York City-style studio use incentive to make it easier to attract investment in and use of dedicated studio facilities.

- Ontario's joint marketing efforts are being restructured and updated - including a review of our sales office in Los Angeles.

- FilmOntario is pursuing a dialog with the newly-restructured Canadian Media Fund to attempt to persuade this federal agency to end policies that discriminate against Ontario-located film and television production. We will

be making the same points to the CRTC as it considers broadcaster license renewals.

- FilmOntario will be participating in formal consultations with the Federal Ministry of Industry regarding the creation and delivery of the mandate, structure and programming of the new Southern Ontario Development Agency (SODA).

- As a founding member of the Canadian Film & Television Industry Council (CFTIC), FilmOntario is exploring potential federal incentives to increase content production/creation.

- FilmOntario has also been very active in dealing with CRA challenges in the past year, working side by side with the CFTPA Ottawa head office to address this. This has included meetings in Ottawa, regular communication with folks across the country, and formal submissions. We have also mobilized the OMDC, and our Finance and Revenue Ministries to assist in protecting Ontario producers.

- As your industry consortium for Ontario interactive, film and television, we have also aligned with our colleagues in Ontario book, music and magazine industries, calling for this government to improve access-to-capital funding and investment mechanisms; this has resulted in the launch of a study by the OMDC to explore this access-to-capital gap.

FilmOntario works closely with the Government of Ontario and with the City of Toronto, and has been consulted on a number of government policies and priorities this year.

A key common theme we have worked hard to pursue is that Ontario's creative industries, especially its screen-based industries, will be and must be at the centre of Ontario's recovery from its current economic slump. This point is now well-accepted at both the province and the city, which explains our growing success at partnering with them.

Our domestic television industry has scored some impressive successes in recent years. Service has struggled with both a fluctuating dollar and labour unrest which has negatively impacted their volumes. Our FX and new media industries are growing impressively.

Overall, though, our industry is recording volumes that are significantly below what we achieved at the beginning of the decade.

And so the need for us to work cooperatively, effectively and efficiently on priorities we can broadly agree on remains essential.

Helping to make this happen is what FilmOntario is all about.

All the best,

Susan Murdoch
Brian Topp
Co-chairs, FilmOntario