

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

29 January 2019

Timothy Bryan
Clerk of the Committee
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 2019 Provincial Budget. This Budget is an opportunity for the government to reiterate its commitment, set out in November's Economic Outlook and Fiscal Review ("Fall Economic Statement") to provide stability and support for Ontario's film and television industry and the industry's tax credits. We very much appreciate this commitment, as well as the recognition that Ontario's film and TV industry makes a valuable contribution to the province's economy – providing 50,000 jobs for the people of Ontario – as well as to the overall quality of life in the province.

A similar commitment to stable and effective tax credits in the 2019 Budget will send a clear signal to the global production community that Ontario is open for business and will ensure that we can continue to build on our existing successes and grow the industry for years to come.

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. This also 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. In 2017, this independent production sector (i.e., that part of the industry that benefits from the film and television tax credits) spent \$1.6 billion in the province, 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.¹

These Ontario-based producers have created long-running audience favourites such as *Murdoch Mysteries*, now in its 12th season and available in 110 countries and territories around the world, as well as newer hits like *Schitt's Creek*, *Kim's Convenience* and *Private Eyes*. The province also produces critically-acclaimed TV series and movies from outside our borders, including the Emmy and Golden Globe Awards' Outstanding Drama Series *The Handmaid's Tale*, the long-running series *Suits*, and the Oscar and Golden Globe winning *The Shape of Water*.

The \$1.6 billion spent on these and many more independent productions translates into a \$2.3 billion contribution to provincial GDP and 32,740 full-time jobs. Over the next five years, we expect that independent production spending will grow to \$2.1 billion, contributing \$3.0 billion to provincial GDP and creating 38,890 jobs.² And as noted in the Fall Economic Statement, this economic activity takes place all across the province, with shows like *Cardinal*, *V-Wars* and *Letterkenny* in Northern Ontario, *Alias Grace* and a growing animation sector in Eastern Ontario, and popular and critically acclaimed series like *Anne with an E* and *American Gods*, which are based in the GTA but spread across many parts of central and Southwestern Ontario as well.

This activity translates into widespread spending: according to the Motion-Picture Association-Canada, in 2017, the U.S. studios they represent spent over \$493 million at over 4,040 different local business across Ontario. This includes season one of the NBC Universal series *Eyewitness*, which spent \$7.1 million in Sudbury, Parry Sound and other Northern Ontario communities, while providing the equivalent of over 400 full-time jobs during the course of shooting.³

With our existing and growing infrastructure, well-trained and world-class on- and off-screen talent, unique locations, diverse population, and 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. While traditional broadcast models are evolving, the continued expansion of over-the-top programming services like Netflix, Amazon, Hulu, Apple, and Crave are the driving force behind unprecedented levels of demand for screen-based content. Scripted content by these streaming services has grown by 680% over the past five years, with Netflix alone commissioning 1,257 hours of original TV shows and movies in 2017. And at least one-third of what Netflix produces is made outside of the United States,⁴ such as the soon-to-be released and made-in-Ontario *Umbrella Academy*.

¹ Ontario Creates Production Statistics, www.ontariocreates.ca.

² "Ontario's Screen-based Industry: An Economic Profile for 2018," prepared by NGL Nordicity Ltd. for FilmOntario, October 2018.

³ Economic Impacts of *Eyewitness* prepared by MNP for the Motion Picture Association Canada, March 2017.

⁴ Nick Vivarelli, "Focus Event Puts Spotlight on Production Boom," *Variety* (www.variety.com) 29 Nov 2018.

At the same time, 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.

Stable and Effective Tax Credits Get Results

Ontario's film and television tax credits were created by the Conservative government in 1997 and at the time were a unique financing tool. Since then, Ontario's independent production spending has increased from \$635 million to today's level of \$1.6 billion.⁵ In addition, for every \$1 million in tax credits spent over the past four years, 109 direct and spin-off jobs have been created and \$7.4 million has been contributed to provincial GDP.⁶ And we also know tax credits work because a large number of jurisdictions around the world have instituted similar incentives (including every province and territory in Canada, as well as California and New York state). The competition for production dollars is intense.

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 there will be no surprises that will upend their business plans during those years of work

When we look to other jurisdictions, we see that increasing tax credits has a positive impact on production spending, while cutting or capping tax credits has a negative impact. For example, in 2005, the state of Georgia introduced a modest tax credit, which helped stimulate production spending in the state of approximately \$107 million (USD). Then, starting in 2008, Georgia made significant enhancements to their tax credit, increasing the rate and introducing bonuses to incentivize certain types of production activities. This created a strong interest in Georgia as a production jurisdiction, leading to investments in studios and other infrastructure, and production spending has increased by a factor of 14 since that time, to \$2.7 billion (USD) in 2017.⁷

The opposite happened in Nova Scotia when 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.⁸

These examples demonstrate why the commitment to stability and support for the industry in the Fall Economic Statement is so important for the industry's long-term and continued success. Global and domestic content creators need to know they can count on Ontario staying open for business.

⁵ Ontario Creates Production Statistics.

⁶ NGL Nordicity Group Ltd.

⁷ *ibid.*

⁸ *ibid.*

Stability is also important to generate private sector investment in the industry's future. The Fall Economic Statement noted that William F. White has expanded their presence in Northern Ontario, and noted the plans for studio expansions and/or new studio spaces at Pinewood Toronto, Cinespace, Markham Movieland, and an investment by CBS in a studio space in Mississauga. These private investments demonstrate that the industry has confidence in Ontario's screen-based production sector and is optimistic about opportunities for further growth. The government's commitment to stability and recognition of the industry's economic importance confirm that this confidence is well-placed. We look forward to working together to ensure that these investments are successful in creating even more jobs across the province.

Looking Ahead

We have noted the government's commitment to reducing red tape in order to ensure Ontario remains competitive in the global business environment. We would like to suggest that the government re-constitute the Minister of Tourism, Culture and Sport's Advisory Panel to identify opportunities for modernizing and streamlining the tax credits. Made up of representatives from industry, the Minister's Office, the Ministry and Ontario Creates, in the past the Panel has explored solutions including updating the broadcast and financing triggers in the credits to reflect current licensing and business realities, particularly the prevalence of online streamlining services; and simplifying residency requirements and standardizing the documentation required to establish residency, to name only two.

A re-constituted Advisory Panel would ensure that these and other streamlining suggestions could be introduced to make life easier for Ontario businesses while avoiding unintended consequences that could harm the jurisdiction's reputation for stability. FilmOntario would be pleased to provide input into the mandate and make-up of a re-constituted Advisory Panel.

FilmOntario would once again like to thank the government for the recognition of the industry's importance and the commitment made to stability for our industry in the Fall Economic Statement. We would also like to thank the government for the targeted support to the industry made through programs at Ontario Creates and the Northern Ontario Heritage Fund Corporation. In the 2017-18 fiscal year, the Ontario Creates Film Fund invested \$5.8 million in 45 feature films by Ontario producers. This modest investment generated an additional \$143 million in production financing and 10,477 weeks of work from those projects.⁹

With investments like these and especially with the commitment to tax credit stability in the Fall Economic Statement, Ontario is well-positioned to continue to grow our thriving film and television industry. Long-term certainty is the building block we need to ensure we remain competitive and attractive as a jurisdiction. We look forward to continuing to build on the success of our industry with the ongoing support of the Province of Ontario.

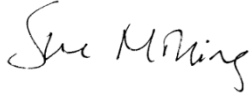
⁹ Ontario Creates, *OMDC 2017-18 Year in Review*, www.ontariocreates.ca.

Should you require further information or clarification on any of the comments submitted here, please do not hesitate to be in touch with FilmOntario.

Sincerely,



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Co-Chair, FilmOntario



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Co-Chair, FilmOntario



Cynthia Lynch
Managing Director and Counsel,
FilmOntario

cc: The Honourable Vic Fedeli
Minister of Finance

The Honourable Michael Tibollo
Minister of Tourism, Culture and Sport