FilmOntario
FILM·TELEVISION·INTERACTIVE

Research Paper

Ensuring the Competitiveness of Ontario as a Filming Jurisdiction

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Nordicity

Executive Summary

Film and television production is both an economic engine and a cornerstone of cultural expression. It creates skilled jobs, drives spending across local businesses and suppliers, stimulates the development of production companies and corresponding intellectual property, and supports a broad creative workforce, from crews and performers to post-production and visual effects professionals. At the same time, it tells audiences in Canada and abroad stories that reflect Ontario and the country, including Indigenous voices, Franco-Ontarians, and the diversity of Ontario's people. It strengthens Ontario's cultural profile, contributing to tourism attraction and "soft power" in a highly globalized media environment.

Ontario has long been a leading international production centre for film and television, with a deep talent base, major studio infrastructure, and globally recognized service capacity. It is also home to a strong domestic production community that develops and produces Ontario-owned and Canadian-owned content. However, Ontario operates in a global market where spending is tightening, costs are rising, and many jurisdictions can offer comparable talent pools, infrastructure, and services. In that context, maintaining a competitive environment for both foreign location service (FLS) production and domestic production matters.

FilmOntario commissioned Nordicity to assess the competitiveness of Ontario's suite of support programs and tax incentives, identify potential gaps, and outline practical options to help support Ontario's competitive position in a fast-changing global market.

PART I - CONTEXT AND COMPARATIVE ANALYSIS

The Ontario Film and Television Industry in a Global Context

The global film and television production market has entered a **more cost-conscious** phase. After a period of exceptionally strong growth in commissioning and spending, many major buyers (i.e., foreign studios and streamers) have shifted **from rapid expansion toward profitability** and a tighter spending discipline. **Industry consolidation** has also concentrated decision-making power among a smaller number of large global platforms and media groups, which has affected what gets financed and where production work lands.

This environment has changed commissioning behaviour. Broadcasters and streamers are ordering **fewer scripted projects**, and when they invest, they are often **prioritizing content with proven audiences**, such as established franchises. Mid-budget productions, which have historically formed a meaningful share of foreign location service activity in Canada, can be particularly sensitive to small differences in financial incentives, putting host jurisdictions under increasing pressure in a market where financing decisions are more cautious.

At the same time, **distribution and discovery are continuing to diversify**. Advertising-supported streaming, free ad-supported channels, and major global video platforms are expanding the pathways for content to find audiences, including short-form, vertical drama, and niche programming. These new channels create opportunity, but they also add complexity to business models and revenue expectations, which can reinforce a preference for lower-risk investments.

Against this backdrop, **jurisdictions worldwide are actively enhancing their production incentives**, both to attract service productions and to strengthen domestic production capacity. As more places compete with comparable infrastructure and experienced crews, incentive design has become an even more prominent lever in production decision-making. Ontario is competing in a global environment that requires active and continuous responsiveness to enhance competitiveness in both the service and Ontario-owned production sectors.

Pressures Facing Canada's Film and Television Industry

Canada's production sector is **tightly connected to global market cycles** and to the investment patterns of international buyers, while also being shaped by domestic policy and regulation. The industry produces content across languages and formats for theatrical, digital, and broadcast distribution, and it includes three interconnected segments: domestic production (Canadian-owned content and intellectual property), foreign location service production (projects controlled and financed by non-Canadian entities), and broadcaster in-house production (news, sports, and current affairs produced internally).

Recent years have illustrated both the volatility of the global market and the value of a balanced ecosystem. **A major slowdown in international service production tied to the U.S. labour actions in 2023 affected production activity in Canada**, followed by a recovery period that remains below earlier peak levels. Throughout this cycle, **domestic production has provided stability** for Ontario crews, production companies, post-production service providers, and suppliers when international service production activity has softened, reinforcing the importance of maintaining strength in both segments.

Canada is also in a period of **regulatory transition**. The implementation of the *Online Streaming Act* is ongoing, with several proceedings and decisions affecting how large online platforms contribute to Canadian and Indigenous content. Recent CRTC decisions have addressed contributions from major streaming services and updated the definition of Canadian content.

Intensifying Jurisdictional Competition

Ontario's screen industry remains a major contributor to the province's economy and creative exports. Ontario has a complete production ecosystem, including experienced crews, established locally-owned production companies, world-class studio and soundstage space, advanced post-production capacity, and an extensive talent pipeline supported by post-secondary institutions. It also has growing virtual production capabilities. These strengths have enabled Ontario to attract major productions and sustain high levels of activity over time.

Recent production volumes show **recovery from the disruption period**, **with growth across both service and domestic production**. Ontario continues to hold a leading position in domestic production nationally and has regained momentum in service production. However, this recovery is occurring in a competitive environment where other jurisdictions are actively strengthening their incentive frameworks and refining bonus structures to attract and retain work.

Industry reporting and stakeholder perspectives point to **increased rigour in location decision-making.** In a cost-sensitive marketplace, productions continue to value Ontario's track record and capacity but increasingly will consider any notable differences in the overall value proposition of competing jurisdictions. Even modest gaps in effective support can influence where productions land, particularly for those projects that are most sensitive to financing constraints.

Ontario has maintained scale and leadership in domestic production, but the broader Canadian context shows growth in other regions and increasing competition for domestic activity. Stakeholders report anecdotal but consistent signs of domestic projects shifting to other provinces, influenced by differences in incentive design and by the availability of complementary supports that help projects move from development to production.

What is at Stake?

This study considers the risks facing Ontario. **If competitiveness erodes, the risks extend beyond short-term production volume**. Ontario continues to have a vibrant talent pool, supported by high levels of production activity. However, if work slows, these valuable professionals could migrate to other jurisdictions or other industries, and capacity can be difficult to rebuild. The economic impact also ripples across communities and suppliers, including post-production, equipment rental, hospitality, transportation, and many other local services.

Equally important, **competitiveness affects Ontario's ability to build and retain domestic intellectual property (IP)**. Without adequate support across the pipeline, fewer projects reach production, and those that do may face incentives to structure activity across jurisdictions, which can dilute Ontario's long-term ability to capture the benefits of ownership. IP ownership supports sustainable companies and can generate returns over time through sales, licensing, and franchise extensions, while also strengthening Ontario's cultural presence and the visibility of Ontario stories.

In this context, maintaining a strong foreign location service sector and a strong domestic production sector is not an either-or proposition. **The core question is how Ontario's programs and incentives can continue to support both pillars in a global market where competition is intensifying.**

Assessment of Ontario's Competitiveness

For this study, Nordicity compared Ontario with selected peer Canadian jurisdictions and selected leading international jurisdictions that compete for service production and that offer instructive approaches for domestic production support.

To capture a comprehensive picture of competitiveness across various film and television tax credits, Nordicity's comparative analysis distinguishes between statutory rates and effective rates. Statutory rates are the headline percentages set in program guidelines, but they do not necessarily reflect the real benefit a production receives because eligibility rules, caps and thresholds, bonus provisions, stacking interactions with federal credits, and administrative structures can materially change the outcome for productions.

Effective rates translate each jurisdiction's incentive rules into a comparable measure of net public subsidy as a share of total production budget. The modelling uses representative production budgets, with typical breakdowns of labour and non-labour costs at various budget tiers. The methodology also takes into account any interaction between federal and provincial incentives, as well as other factors that might limit claimable expenditures. The analysis also accounts for differences in labour costs and broader production cost structures across jurisdictions, recognizing that higher-cost markets can affect how far a production budget goes.

Key Findings

Ontario Production Services Tax Credit (OPSTC)

The modelling of service production incentives shows that **Ontario's competitiveness challenges are most pronounced for those budget levels** where small effective-rate differences can translate into meaningful dollar impacts and influence location decisions in a cost-conscious market. Recent changes in peer Canadian and international jurisdictions may threaten the OPSTC's competitive position. Marginal differences matter in a market where buyers are tightening spending and where projects are increasingly sensitive to marginal differences in overall value.

The analysis also highlights the importance of incentive architecture beyond the base rate. **Compared with some peer jurisdictions, Ontario offers fewer bonus pathways for service production**. In particular, the OPSTC does not currently offer a regional bonus for service productions, and it does not offer a return-business or frequency-style bonus that rewards repeat production activity. In a market where other jurisdictions are actively using such mechanisms to attract and retain work, this can affect Ontario's ability to compete for new projects and to secure repeat business.

On post-production and VFX, the OPSTC benefits from a stackable credit that supports animation and special effects work (OCASE), which can strengthen Ontario's proposition for productions seeking to optimize elements of the spend. At the same time, the comparative scan underscores that global competition for VFX and post-production is active and that incentive design can influence where this highly mobile work is located.

Overall, findings suggest **that targeted enhancement to the OPSTC's design could help** position Ontario as more consistently compelling in the segments of the market where competition is most intense.

Ontario Film & Television Tax Credit (OFTTC)

On an effective-rate basis, **the Ontario Film & Television Tax Credit (OFTTC) remains broadly competitive for domestic production** across the formats modelled (TV series, feature film, and TV movies), with results comparable to leading peer Canadian provinces in key production types.

However, the analysis also indicates that incentive design differences can matter for domestic decision-making. **Some peer jurisdictions offer more expansive bonus structures and companion credits** that can enhance project economics and support longer-term capacity. As domestic projects compete with service productions for studio space, crews, and key talent, incentive design can play a larger role, particularly if Ontario's historical ancillary advantages narrow over time.

The domestic tax credit findings point to a generally competitive base, alongside signals that the broader incentive architecture and the availability of additional supports may affect Ontario's ability to grow domestic activity and keep projects anchored in the province.

The Importance of Development and Production Investment Programs

Nordicity's analysis also emphasizes that tax credits are only one component of a strong domestic ecosystem. **Development and production investment programs can be decisive** in determining whether projects progress from early concepts to production-ready packages. In a market where buyers are risk-averse and cost-conscious, development support can help build a pipeline of export-ready projects that can attract partners and financing.

Ontario Creates' IP Fund (which replaced the former Film Fund and Interactive Digital Media Fund in the 2025/2026 fiscal year) supports the development and production of linear and interactive content.[1] Nordicity's comparative review of production and development investments indicates that **some peer Canadian jurisdictions invest more heavily and use different structures**, including recoverable investment models and multi-stream funds that cover development, production, slate financing, and targeted equity approaches. The analysis also observes a **relationship between higher levels of direct investment and stronger domestic production activity**, suggesting that complementary funding can materially influence the health of the domestic pipeline.

Additional international examples reinforce the **value of pairing clearly targeted tax incentives with robust agency funding and pipeline-building tools** that help sustain domestic production over time. These approaches illustrate how jurisdictions can support emerging talent, enable established producers to compete internationally, and reinforce a sustainable development-to-production pathway.

Summarizing Ontario's Competitiveness Today

Ontario remains a mature, internationally recognized production centre with significant strengths. The industry's recent performance underscores Ontario's capacity and resilience. At the same time, the global market has become more cost-conscious, commissioning has tightened, and jurisdictions worldwide are actively enhancing their incentives. In that context, the margin of competitiveness has narrowed, and incentive design increasingly influences where work lands.

Nordicity's comparative modelling indicates that Ontario does not consistently lead when effective tax credit rates for service production are compared across jurisdictions. It also illustrates where the absence of certain bonus mechanisms, such as regional and repeat-business incentives, can affect competitiveness in a market that rewards incremental value.

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[1] First-year results for the IP Fund were not available at the time of writing. In order to conduct a modelling exercise to compare the Ontario Creates'IP Fund to peer provinces, Nordicity made certain assumptions about the amount of funding available for the linear content stream of the Fund.

On the domestic side, Ontario remains broadly competitive in terms of the effective tax credit rate but faces growing pressure as incentive architectures elsewhere provide additional pathways to enhance project economics and to build longer-term capacity. The review also highlights that **development and production investment programs can be as important as tax credits** in a risk-averse market, because they shape whether projects reach production in the first place and whether Ontario-owned IP can scale to global audiences.

Taken together, the findings suggest that **Ontario's current framework provides a solid base, and targeted, practical refinements could help Ontario stay on the leading edge**. Options highlighted in the report include adjustments to the service production incentive architecture, potential enhancements that encourage production retention and regional activity, and strengthened support for domestic development and IP to sustain a healthy pipeline.

PART II – OPTIONS TO IMPROVE ONTARIO'S COMPETITIVENESS

Approach

Part Two of the report moves from describing the competitive landscape to **testing practical ways Ontario could strengthen its position**. The objective is to build a clear, evidence-based view of which policy adjustments are most likely to improve Ontario's competitiveness in both foreign location service production and domestic production, while also delivering meaningful gains in production activity and broader economic benefits. Rather than focusing on a single change, this work examined a sequenced set of options that could work together, from measures that directly affect production costs to complementary features that improve cost-effectiveness and longer-term tools that support sector sustainability.

Nordicity modelled a series of scenarios that reflect realistic changes to Ontario's current framework. On the tax credit side, Nordicity tested how adjustments to the underlying design would translate from headline program parameters into real project-level value. This work included examining how changes to nominal rates could flow through to effective rates (which better represent the true net cost to producers as eligibility rules and program interactions are integrated). Because competitiveness is shaped by more than just the posted nominal tax credit rate, the modelling also considered scenarios that strengthen value through design choices, such as expanding eligible expenditures or adding targeted bonuses tied to specific objectives.

The modelling was designed to link policy changes to expected changes in production behaviour and, in turn, to economic outcomes. For service production, we used an elasticity-based approach to estimate how changes in the net cost of producing in Ontario could influence production volume over time in a competitive and cost-sensitive market. For domestic production, the approach recognized that not all financing sources respond the same way to cost changes, so the modelling applied different assumptions about which parts of a typical financing structure are more likely to shift in response to improved incentives.

Finally, because long-term competitiveness depends on more than production-stage incentives, the scenario modelling also **assessed complementary instruments that can strengthen Ontario's production pipeline and financial resilience (e.g., tax credit advance, development/production**

investment). Together, these scenarios are intended to provide a practical basis for recommendations by clarifying what different options are expected to do, how they work, and why some approaches may offer stronger returns for Ontario than others.

Recommendations

The recommendations below offer practical **options to help Ontario maintain and strengthen its competitiveness in film and television production** in a fast-changing market. Ontario has a strong foundation, with experienced crews, world-class infrastructure, and a proven track record in both foreign location service and domestic production. At the same time, production decisions are increasingly driven by cost and risk, and jurisdictions with comparable capabilities are actively refining their incentive frameworks and complementary supports.

These recommendations translate the findings of the comparative review and scenario modelling into **actionable measures designed to protect Ontario's existing advantages**, address emerging pressure points, and support a resilient ecosystem that can sustain service production while growing Ontario-owned content and intellectual property over the long term.

Recommendations for Domestic Production

- **Increase the Ontario Creates IP Fund – Linear Content:** The Linear Content stream of the IP Fund should be increased from an estimated $8.0 million[2] to $26 million to bring Ontario on par with provinces that produce primarily for the English-language market. This additional investment would likely deliver an additional $258 million of spending on the development and production of linear content for theatrical and digital platforms.
- **Enhance the Ontario Film and Television Tax Credit (OFTTC) to 40%:** An increase in the OFTTC from 35% to 40% would lead to a 5% increase in the annual volume of Canadian film and TV production – or approximately $45 million. This measure would generate an additional 509 FTEs of employment, including 310 cast and crew FTEs, and $52 million in GDP for the provincial economy.
- **Introduce a tax credit advance:** Nordicity models suggest that an advance on at least 50% of OFTTC claims would generate $6.3 million interest payment savings for producers annually. In a cost-sensitive context, this amount could go on screen or into producers' development. These savings are nevertheless marginal in relation to the $906 million total volume of Canadian film and TV production in Ontario (<1%).

Recommendations for Service Production

- **Enhance the Ontario Production Services Credit (OPSTC) rate from 21.5% to 25%:** An increase in the OPSTC to 25% is projected to expand the annual volume of FLS production in Ontario from $1.58

[2] While statistics for the total linear content funding available from the IP Fund were not available at the time of writing, information provided by Ontario Creates and previous annual reports indicate that a total of approximately $8 million is currently available.

billion to $1.87 billion. This increased level of production would come through the attraction of film and TV projects from other provinces, but also from other foreign jurisdictions.

- **Modernize eligible non-labour cost definitions under the OPSTC**: Nordicity's model indicates that expanding eligible non-labour expenditures would represent a cost-effective solution. By recognizing contemporary production budget structures and expanding the base of eligible non-labour expenditures, the OPSTC could become the most competitive FLS instrument in Canada, also outperforming some of its international competing measures.
- **Introduce a regional bonus to OPSTC**: Nordicity's modelling suggests that a regional bonus is most effective as a supporting policy lever. Adding a 6% regional bonus to the OPSTC could help tip marginal decisions for productions already considering regional locations or indifferent to locations, but would not independently drive large scale re-locating of production activity to a region, nor to Ontario.
- **Introduce a repeat business (frequency) bonus to the OPTSC**: Nordicity's modelling suggests that a repeat business bonus rate that focuses on frequency within a limited time period could be effective in incentivizing return business. The rate, similar to the 10% frequent filming bonuses available in Manitoba and Saskatchewan, would encourage foreign producers to increase the cadence of their production activity in Ontario. Designed carefully to limit support going to productions that would have filmed in Ontario anyway, a frequency-style bonus could help reduce location switching and generate incremental service production activity and related economic impacts.

Recommendation for both Domestic and Service Production

- **The Ontario Computer Animation and Special Effects (OCASE) tax credit as a producer-claimable credit**: Introducing a producer-claimable credit option for the OCASE tax credit has the potential to expand the scope for the credit's use and further increase the volume of work for Ontario-based animation and VFX service providers beyond what can be achieved with the OCASE tax credit under its current structure. This would bring Ontario in line with industry practices in competing jurisdictions.

Observations Across All Scenarios

- Increasing the OPSTC rate would generate the largest economic gains.
- Strengthening the IP Fund would be the next most impactful option, with the added benefit of supporting innovation and a stronger pipeline of Ontario-owned projects.
- For domestic producers, an increase to the OFTTC rate would be a clear priority, with an incremental 5% in production volume.
- For foreign location service producers, a repeat business bonus would deliver a targeted but still meaningful lift in activity, with an estimated impact in the range of $40 million to $120 million annually, which would likely place it near the OFTTC increase in overall impact.
- The potential impact of shifting the OCASE tax credit to a producer-claimable option is expected to be positive.