



Film & Television Production Position Paper

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Alberta's film & television industry has a lot to offer. It diversifies the economy, it showcases our province to the world, and it adds a creative and exciting dimension to our society. With the right policies and support, film and television production can thrive in Alberta.

In Alberta, modest estimates suggest that every \$1 spent on film and TV production generates \$1.48 of economic activity. As the scope of the industry grows, so do the benefits. A 2005 study found that every \$1 spent on film and television production in the United States generated \$2.17 of total economic activity.

A healthy film and television industry also generates a ripple effect throughout the creative arts and new media. Productions require music, set design, lighting, special effects, computer generated graphics, and a healthy dose of adaptability and innovation.

A vibrant industry creates growth and employment in graphic and digital design, animation, publishing, and the visual arts.

What is the Challenge?

The largest challenge for Alberta's film and television industry is to remain competitive with other jurisdictions in an industry that is highly responsive to tax incentives and benefits.

Alberta has the talent to attract and create high quality productions but our tax incentives and benefits lag behind other provinces and states. This is forcing our industry's labourers and young trainees to move to other provinces.

Until Alberta's incentives are able to compete with other jurisdictions, we will continue to face challenges in attracting productions and retaining our workers.

The province has a pool of approximately \$20 million in incentives available annually for film and television projects, with a \$5 million cap on the funding that any single project can receive.

In 2009 all \$20 million of the Alberta Film Development Program was awarded to 65 projects. This generated an estimated \$80 million in economic output within the province. By comparison, in 2009, BC gave out \$178 million in tax credits in order to generate \$1.3 billion in work.

The government recently announced changes to Alberta's funding structure, categorizing productions into two groups:

- Indigenous/Co-Productions (30%+ Albertan ownership)
- Foreign/Service (<30% Albertan ownership)

A higher level of incentives is offered to productions with Albertan ownership.

Three Main Issues with Alberta's Incentive Structure:

- The overall pool of incentives available for productions to draw from is limited to approximately \$20 million a year. The funds are awarded through a grant system. The grants provide immediate accessibility to funding, but the limited pool effectively restricts the number of projects that can take place in any one year.
- The maximum funding available to any single project is capped at \$5 million. This cap exists to ensure that the limited annual funds are available for smaller, locally owned projects but it also discourages producers of large projects from shooting in Alberta. This cap does not exist in other provinces.
- The incentives available for foreign productions are not competitive. Productions that have less than 30% Albertan ownership

receive funding for 25-27% of all eligible costs. By comparison, BC gives labour tax credits worth up to roughly 34% of total eligible expenses and Manitoba up to roughly 36%. In order to grow the industry, Alberta has to revamp its incentives for foreign film and television productions.

What is the Optimal Structure?

It is important to give incentives that are competitive with other jurisdictions, but it is equally as important to add value and help build the capacity of the industry.

In order to create a more competitive structure we need a framework that is practical for both local and foreign productions. An effective solution would be to create a hybrid incentive structure that maintains the current grant format for local Alberta-owned productions and establishes a system of tax credit incentives for foreign productions. \$20 million in funding would remain available annually for local Alberta-owned projects, with a \$5 million cap per production. Productions would continue to receive 29% of eligible costs before bonuses.

The grants provide for a quicker payout, which is important because it's often more difficult for small local producers to access financing. For foreign productions, the system of grants would be replaced by a tax credit. Tax credits attract more productions and generate more work without government having to set aside additional large sums of money. Therefore the film and television industry grows at little direct cost to the province.

We believe it is a realistic three-year goal for Alberta to have a combined \$100 million in grants and reimbursed tax credits awarded annually, with the possibility of up to \$500 million within 5 to 7 years.

Across Canada, provinces offer tax credits on either total expenditures or on labour costs. As a comparison, 1% of total eligible expenditures is equivalent to approximately 1.8% of labour costs.

BC offers foreign productions a baseline labour tax credit of 33% and bonuses that can potentially add up to 62.5%. Manitoba offers a 45% labour tax credit with bonuses of up to 65%, and up to \$200,000 in interest-free loans. Ontario and Quebec have recently moved to a 25% tax credit on total expenditures with separate credits of up to 15% for completing digital in-province post-production. In Ontario there is also a bonus for computer animation or special effect projects.

Here in Alberta, foreign productions receive a 25% baseline of total expenditures with a 1% bonus available for productions that shoot for over 30 consecutive days or compile 300 person hours on digital projects. This equates to roughly 45-47% in labour credits and is essentially a one-size flat rate, as no additional bonuses are available beyond the 1%.

It is important to offer rates that are competitive with other jurisdictions, but it is just as important to add value and help build the capacity of the industry.



For that reason making bonus credits available is preferred to having a one-sized flat rate grant. Bonus credits are important not only because they make the province more competitive, but they also encourage practices that add value and build the capacity of our industry.

We have the opportunity to apply additional tax credits aimed at anything from incentives for 3D animation, to regional and rural location bonuses, to incentives for hiring locals in key positions, to bonuses for environmentally friendly production practices.

In order to avoid a “race-to-the-bottom” with other provinces it would be worthwhile to reduce the baseline tax credit to 20% of total expenditures – or 36% of labour – for foreign productions in Alberta. This would be equal to the funding level available to foreign productions prior to the government’s recent changes. However, introducing bonuses worth up to approximately 35% of total expenditures – or 63% of labour – would make Alberta competitive with other provinces.

Beyond Incentives

Moving forward, the province requires a world-class film and television production studio to complement the operational studio that exists in Edmonton already.

Geographically, Alberta is renowned for its unique landscape of mountains, foothills, badlands, prairies, and world-class backdrops. Given that Calgary is home to 85% of the province’s film industry, and is in close proximity to all of these natural features, it is an ideal location for such a facility.

Improving Alberta’s production infrastructure will provide province-wide virtual access to soundstages and digital media and will create the groundwork for future projects that can then be linked through technology for the benefit of Alberta’s creative industries.

The Alberta Creative Hub has been proposed at Canada Olympic Park in Calgary and the \$31 million project must be constructed as quickly as possible to help expand the industry in Alberta. The City of Calgary recently approved \$10 million. The project requires a \$10.5 million investment from the provincial government. We believe this would be money well spent.

We also see Edmonton’s Film Alberta Studio as an integral part of Alberta’s film and television infrastructure. With upgrades and improvements, the scope and cost of which are still being determined, it will continue to be a workable production studio well into the future.

Along with the infrastructure, it is crucial for Alberta to move forward with a province-wide approach for advancing our film and television industry. The Alberta Creative Hub and Edmonton production studio must be utilized as part of a coordinated and comprehensive strategy, with stakeholders involved in crafting the roles that the Calgary and Edmonton studios each play. For instance, if the Hub in Calgary is designed to target larger scale productions, Edmonton’s facility may act as the centre for education and training or may tap into a niche production market that the city excels in such as horror (see DEDfest) or sketch comedy.



What is important is that both studios have defined roles in advancing Alberta's film and television industry and that a publicly funded Alberta Creative Hub does not compete with the private Edmonton studio that exists. Both facilities must be utilized to work in tandem for the industry to succeed province-wide.

The Result?

We believe these changes will provide a much needed and ongoing boost to Alberta's film and television industry. It is an industry with the potential to provide work in the creative arts for thousands of Albertans, to showcase our province, our people and our landscapes to the world, to generate billions of dollars in revenues and economic activity, and all with a comparatively small carbon and environmental footprint. These changes are an investment well worth making.

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