

**Saskatchewan Film Industry Task Force**  
**Report**

Prepared for the Government of Saskatchewan

October 2010

## Executive Summary

*"Arts and culture, the creative economy represents \$46 billion in Canada's economy," continued Minister Moore. "It is directly responsible for over 640,000 jobs across this country. And I can tell you that any government — municipal, provincial, territorial or federal — that says that it has a plan for strong economic growth but doesn't have a plan for strong support of the arts is a government that doesn't have a plan for economic recovery. I can promise you that as the Minister of Heritage, I will keep on fighting to make sure that we get this right, that we work together, and that the arts and cultural sector will be alive and well in the digital world ahead."*

**Honourable James Moore,**  
Minister of Canadian Heritage  
and Official Languages,  
September 2010

These are exciting times. The digital world described by Minister Moore is here, and the potential and opportunities for Saskatchewan film, television and interactive media is evident. Yet, when the Canadian screen-based media industry is responsible for a significant percentage of the \$46 billion referred to by Minister Moore, one has to ask why Saskatchewan isn't seeing more of those jobs and that economic impact.

The answer is one that is common to many areas of business: *you have to invest money to make money.*

The proposal that the Film Industry Task Force is presenting to the Saskatchewan government is not saying "invest money": that is already happening. It is saying "let's look at *how* we are investing in the industry given the current realities and make the changes that need to be made to realize on the potential of the sector".

The Film Industry Task Force set out to find initiatives to strengthen and stabilize the industry within Saskatchewan in the midst of a world economic downturn and increased competition within the sector from other Canadian jurisdictions. The result: the Task Force proposes four key recommendations that will help stimulate business and bring stability at a time when both production and government outlay for support is down.

The recommendations presented in this proposal rethink and redesign the current support mechanisms made available to the film industry by the Government of Saskatchewan, namely:

- Saskatchewan Film Employment Tax Credit
- Canada-Saskatchewan Production Studios

- Development
- Equity

The film industry recognizes and appreciates the Government of Saskatchewan's support of the industry and is mindful of the cost to the Saskatchewan people. Following the industry's recent decline in production, SaskFilm predicts that tax credit usage will drop 40% from 2010-11 to 2011-2012. Therefore, introducing the recommended changes in the 2011-12 year would reduce the impact of investment to the Government of Saskatchewan.

Here is a summary of the Film Industry Task Force's recommendations:

**1. Reframe the Saskatchewan Film Employment Tax Credit (SFETC) with respect to tax credit advances, bonuses and digital content production**

- Accelerate payment of the tax credit
- Add a preferential bonus for series
- Replace the rural bonus with a non-studio zone bonus
- Add "all-spend" designations/calculations to existing SFETC
- Maximize SFETC accessibility

**2. Make enhancements to the Soundstage rates and marketing**

- Reduce or defer rates for series beyond the first year
- Reduce or defer rates for new forms of production
- Reduction of rates for multiple productions

**3. Increase Development Funding with a priority on indigenous production**

- Provide additional, early stage funding to assist in the stability and growth of indigenous production companies

**4. Maximize available equity in the province, with a priority on indigenous production**

- Increase available equity to be comparable to Manitoba
- Ensure and promote accessibility to all forms of production, with priority on indigenous production

The details of the recommendations are within the document included with this summary.

## Introduction

In 2009, the *Saskatchewan Film/TV Production Sector Plan* was released following an extensive study of the film and television industry in our province. The study charted the accelerated growth of the industry over a few decades, noting five years of consistent production volumes in the \$60M range. Translating to 1200 fulltime equivalent jobs and with 70% of the production financing originating from outside the province, the film and television sector was able to contribute to Saskatchewan's economy, encourage retention of youth and contribute to Saskatchewan's identity in a media-rich world.

Not long after the study was complete, a number of factors hampered the industry's progress. It began with the world economic downturn which led to other jurisdictions boosting their incentives to attract projects. With a lower competitive edge, production declined and crews thinned. Also, the ability of producers large and small to get broadcast license triggers and distribution advances nationally and provincially fell substantially. As time went on there was a further decline in production, additional crew attrition and equipment suppliers leaving the province. In total, production volumes fell more than 70% from 2008-09 to 2009-10.

In response to these destabilizing factors, the Film Industry Task Force was created. A partnership of industry and stakeholders, this group met extensively during the spring and summer of 2010 and in the pages that follow, its vision, efforts and its recommendations are presented.

## The Film Industry Task Force

From the early days of the Saskatchewan film and television industry's inception, its accomplishments have been a result of ongoing support and participation by the Government of Saskatchewan. It was recognized that continued support and participation would be required, as it is in all of Canada, and industry was pleased that representatives from a number of stakeholders were interested in participating on the Film Industry Task Force. The following were represented:

- Enterprise Saskatchewan
- Independent industry members
- Innovation Saskatchewan
- Ministry of Tourism, Parks, Culture and Sport
- SaskFilm
- Saskatchewan Motion Picture Industry Association
- Saskatchewan Trade and Export Partnership
- SaskTel
- SCN

The participants undertook an extensive review of Saskatchewan’s film/TV industry’s situation. It became the goal of the Task Force to work on strengthening and stabilizing the industry in a prudent, thoughtful and strategic manner.

**Task Force Initial Goal:** To stabilize and strengthen the film industry in Saskatchewan

In order to reach this goal, it was determined that a “critical mass” of production would be needed and the following components were identified to enable the vision of a successful film industry:

- 5 to 7 \$4-\$6M productions per year, as a base for total production volumes per year
- 4 to 5 active producers working on a consistent basis to develop and produce projects that use existing crew
- 2 to 3 crews
- studio utilization at an optimum level

**Task Force Strategic Vision:** To have a successful, sustainable film industry

Once the Task Force had examined all aspects of the film industry, the following were identified as key levers that the government of Saskatchewan could provide in the near term as catalysts for creating “critical mass”:

1. Reframe the Saskatchewan Film Employment Tax Credit (SFETC) with respect to tax credit advances, bonuses and digital content production
2. Make enhancements to the Soundstage rates and marketing
3. Increase Development Funding, with a priority on indigenous production
4. Maximize available equity in the province, with a priority on indigenous production

Although the Task Force is aware of the requirement for further specific strategic planning with respect to human resources, digital production, and other areas of concern, these levers were conceived as a comprehensive, interrelated package to fulfill the Task Force’s initial goal and strategic vision in a manner that would be a sound first step in maintaining in the long run the broad range of production that has been a hallmark of the Saskatchewan’s industry to date. Although there are targeted initiatives to accentuate some of the demonstrated strengths of television series production and production indigenous to Saskatchewan, the recommendations on the whole are designed to lift the entire industry. Some of the initiatives will require small guideline changes, others will require investment, but all have been designed as options that seek to minimize impact on government spending.

## **The Recommendations**

Throughout the following there are a number of references to indigenous productions. This proposal defines indigenous projects as those that have significant Saskatchewan ownership.

**Lever #1 – Reframe the Saskatchewan Film Employment Tax Credit (SFETC) with respect to tax credit advances, bonuses and digital content production**

The SFETC is the most important provincial incentive available to the producing community and is the most powerful selling feature when considering Saskatchewan as a production destination. Whether it is a dramatic feature film or a comedic television series, more than 70% of production budget financing comes from outside the province – good news for Saskatchewan’s economy. Most jurisdictions in Canada offer a production tax credit of some kind and in 2005 Saskatchewan had the most competitive across the nation. When competing jurisdictions made tax credit changes in the last year, Saskatchewan’s competitive edge suffered.

The Task Force’s recommendations for the SFETC are:

- A. Accelerate payment of the tax credit
- B. Add a preferential bonus for series
- C. Replace the rural bonus with a non-studio zone bonus
- D. Add “all-spend” designations/calculations to existing SFETC
- E. Maximize SFETC accessibility

Analysis of SFETC recommendations:

<b>Recommendation A.</b>	Accelerate payment of the tax credit
<b>Description</b>	Currently when a film production qualifies for the SFETC, actual receipt of the tax credit money comes as late as 2 years after the production has paid out all of its costs. The interim financing and administration costs for the current structure can be quite high for producers, resulting in greater challenges to finance Saskatchewan production and less money being spent to make productions better. This recommendation would allow for a portion of the calculated tax credit to be paid at granting of Notice or Registration
<b>Benefits</b>	<ul style="list-style-type: none"> <li>- Significantly and immediately enhances Saskatchewan’s competitiveness</li> <li>- Lessens the significant administrative, legal and interest costs for the industry</li> <li>- Promotes greater focus on content quality and future project development</li> <li>- Strong track record of delivery of credits based on confirmed estimates, so risk is minimized</li> </ul>
<b>Potential Costs</b>	The cost to government would be any interest costs they would incur, which when compared to the interest costs, administration and legal fees incurred by a production company, would be fairly nominal.
<b>Recommendation B.</b>	Add a preferential bonus for series
<b>Description</b>	Series productions tend to create greater stability in the film/TV industry, given their relatively longer (and in some cases much longer) production timeframes and multi-season production records. Series are also becoming the lynch-pin of production “brands”, leading to more work on digital platforms and potential for a number of other associated productions. Adding a Series specific incentive would raise the profile of Saskatchewan as a “go-to” destination for this type of production.
<b>Benefits</b>	<ul style="list-style-type: none"> <li>- Significantly and immediately enhances Saskatchewan’s competitiveness</li> </ul>

	<ul style="list-style-type: none"> <li>- Attracts series production to the province, increasing likelihood of sustainability, crew development and retention, production company growth and viability, more multiplatform digital production, and more opportunity</li> <li>- Lessens risk in the development/production/exploitation cycle</li> <li>- Builds upon the historical success of the province in the area of series production</li> <li>- Leverages soundstage as production destination</li> </ul>
<b>Potential Costs</b>	The costs related to this recommendation would be dependent upon how many productions access this bonus, however if there were two \$10M series in a given year and the bonus was set at 5%, SaskFilm estimates a \$500k cost.
<b>Recommendation C.</b>	Replace the rural bonus with a non-studio zone bonus
<b>Description</b>	Regina and Saskatoon are the key production centres in Saskatchewan, but only Regina has a purpose-built, high-capacity soundstage. Producers are therefore at a distinct disadvantage in that regard in attracting and producing work in Saskatoon. Changing the existing Rural bonus to a Non-studio Zone bonus would help level the playing field for those producers.
<b>Benefits</b>	<ul style="list-style-type: none"> <li>- Significantly and immediately enhances Saskatchewan’s competitiveness</li> <li>- Provides producers in Saskatoon with a tool to stimulate production in that jurisdiction</li> <li>- Leverages the capacity of entire province as production destination</li> </ul>
<b>Potential Costs</b>	SaskFilm estimates the cost of this change to be \$180k based on historical Saskatoon production volumes.
<b>Recommendation D.</b>	Add “all-spend” designations/calculations to existing SFETC
<b>Description</b>	Several jurisdictions in Canada offer both a Labour-based tax credit and an “all-spend” tax credit. An “all-spend” calculation allows for a tax credit on all production spends in the jurisdiction rather than just on the labour component; it typically is assessed at a lower rate than the labour-based tax credit.
<b>Benefits</b>	<ul style="list-style-type: none"> <li>- Enhances Saskatchewan’s competitiveness by providing another tool for out-of-province producers to assess viability of producing in Saskatchewan</li> <li>- Increases potential of additional non-labour spending in Saskatchewan (e.g. equipment, supplies, rentals, etc.); potential for equipment and service suppliers to (re)locate in Saskatchewan. Net spend in Saskatchewan may therefore increase</li> </ul>
<b>Potential Costs</b>	If an all-spend percentage of 30% is used, this recommendation would be cost neutral compared with the existing labour-based tax credit, according to SaskFilm’s estimates
<b>Recommendation E.</b>	Maximize SFETC accessibility
<b>Description</b>	This would entail addressing any concerns about any restrictions, limitations and efficiencies on an ongoing basis. An example of this would be to allow additional access to the Key Bonus to a broader group of indigenous producers. Currently access is provided to projects with budgets in excess of \$3M resulting in the exclusion of most indigenous productions.
<b>Benefits</b>	<ul style="list-style-type: none"> <li>- Significantly and immediately enhances Saskatchewan’s competitiveness</li> </ul>

	<ul style="list-style-type: none"> <li>- Attracts digital and multiplatform production in step with national and international production trends, thereby increasing industry depth and capacity</li> <li>- Increases opportunity for new business directions and relationships (e.g. TV producers working with web-based media companies, gaming companies, etc.) as well as production company skill depth</li> </ul>
<b>Potential Costs</b>	SaskFilm's estimated cost for the Key bonus example given would be \$380k based on historical figures. As efficiencies will be examined as well, some cost savings may be uncovered.
<b>Lever #1 Total Projected Costs</b>	± \$1.3M per year

## Lever #2 - Make enhancements to the Soundstage rates and marketing

Saskatchewan continues to be the only prairie province to have world-class film production studios and that fact has been integral to the industry's marketing efforts since the opening of the soundstage in 2001. However, with the significant financial incentives of other competing jurisdictions such as Manitoba and Nova Scotia overshadowing our facilities and programs, it is important that tools like the Soundstage be utilized in a more robust fashion. It is projected that some or all of the following recommendations will only be necessary in the short-term as reducing or deferring Soundstage rates should ultimately increase productions in the province and demand for the Soundstage will go up, alleviating the necessity for future reductions and deferrals.

The Task Force's recommendations for the Soundstage are:

- A. Reduce or defer rates for series beyond the first year
- B. Reduce or defer rates for new forms of production
- C. Reduce of rates for multiple productions

Analysis of Soundstage recommendations:

<b>Recommendation A.</b>	Reduce or defer rates for series beyond the first year
<b>Description</b>	In April of 2010 a Series Incentive announcement was made that provided for deferred fees for studio rentals to a maximum of \$140,000.00 dependent on production budget amount. The incentive was instrumental in immediately attracting a high-budget Canadian television series that filmed in summer 2010 and is scheduled for nation-wide broadcast January 2011.
<b>Recommendation B.</b>	Reduce or defer rates for new forms of production
<b>Description</b>	Following the recent Canada Media Fund (CMF) announcement that all television productions receiving CMF funding are required to provide an digital component, it follows that encouraging new forms of production to make use of the Soundstage would result in greater use of it in the future for such productions.
<b>Recommendation C.</b>	Reduction of rates for multiple productions
<b>Description</b>	Similar to the Series Incentive, this repeat business offering would support stability.
<b>Benefits of the Recommendations</b>	<ul style="list-style-type: none"> <li>- Enhances Saskatchewan's competitiveness</li> <li>- Encourages multiple productions and volume use of the sound stage</li> </ul>



	<ul style="list-style-type: none"> <li>- Encourages a cross section of productions across all screen-based media platforms</li> <li>- Increases opportunity for year-round employment</li> <li>- Creates stability for the industry</li> <li>- Increases opportunity for new business directions and relationships (e.g. TV producers working with web-based media companies, gaming companies, etc. to produce digital content for CMF-funded projects)</li> <li>- Provides producers with additional marketing tools</li> <li>- deferrals allow for an opportunity for return on investment for soundstage</li> </ul>
<b>Lever #2 Total Projected Costs</b>	±\$420k per year

**Lever #3 - Increase Development Funding with a priority on indigenous production**

Development is fundamental to all film productions as this is the starting point where ideas are explored for presentation to Broadcasters, Distributors, and other financiers. It is also one of the hardest stages of production to fund. Similar to the oil industry who must drill many holes before oil flows, producers typically develop a number of projects while Broadcasters and Distributors fund only as many as they require for their broadcast and distribution needs. SaskFilm does have a modest Development Fund, however times have changed and Broadcasters and Distributors are demanding a much more sophisticated presentation package. At one time a single sheet of information sufficed; now the expectations are higher so more time, effort, and expense is going into the development stage. . Increased Development funds would allow production companies to have more projects in front of Broadcasters and Distributors, increasing the chances of licensing.

The Task Force’s recommendations for Development are:

- A. Provide additional, early stage funding to assist in the stability and growth of Saskatchewan production companies

Analysis:

<b>Recommendation A.</b>	Provide additional, early stage funding to assist in the stability and growth of Saskatchewan production companies
<b>Description</b>	Additional early stage funding would further encourage project development and would help get projects off the ground. This funding could be offered in the form of a loan that would be paid back once a show is green lit (financed). More development = more productions.
<b>Benefits</b>	<ul style="list-style-type: none"> <li>- Enhances Saskatchewan’s competitiveness by creating greater likelihood of meaningful development of projects, thereby increasing the chances of projects moving forward to production in Saskatchewan</li> <li>- Significantly reduces financial burden on production companies during crucial stage of a project’s life cycle</li> <li>- Greater access based on past performance contributes to stability and assists in building corporate momentum</li> </ul>

<b>Lever #3 Total Projected Costs</b>	Up to \$500k
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**Lever #4 - Maximize available equity in the province, with a priority on indigenous production**

Equity investment is an established tool that has been used by agencies such as the CMF Canada Media Fund (CMF) and Manitoba Film and Sound to ensure a film production has enough financing to go ahead. SaskFilm does has a small equity fund that is supplied by SaskTel Max, however the type of equity investment being offered by the CMF and in Manitoba are significant. When this tool was enhanced by Manitoba in 2009, it had (and continues to have) a profound influence on the number of productions in that province.

The Task Force’s recommendations for Equity are:

- A. Increase available equity to be comparable to Manitoba
- B. Encourage accessibility to all forms of production, with priority on indigenous production

Analysis:

<b>Recommendation A.</b>	Increase available equity to be comparable to Manitoba
<b>Description</b>	Adding Equity investment to the line-up of Saskatchewan incentives would provide potential co-production partners with an attractive reason to choose Saskatchewan, and would help finalize budget financing sooner. Repayment could be set up in a favourable way such as on a last-in, first-out basis.
<b>Recommendation B.</b>	Encourage accessibility to all forms of production, with priority on indigenous production
<b>Description</b>	Indigenous production provides 30% more Saskatchewan spend, so making indigenous production a priority makes sense.
<b>Benefits</b>	<ul style="list-style-type: none"> <li>- Significantly and immediately enhances Saskatchewan’s competitiveness</li> <li>- Provides opportunity for financial return</li> </ul>
<b>Lever #4 Total Projected Costs</b>	\$1.5M per year

Total Projected Costs all Levers	If all of the recommended programs were fully subscribed for both development and production, the cost would be ±\$3.5M per year
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It is important to note that while the total projected costs for these recommendations (if all proposed incentives are fully accessed) could amount to \$3.5M, the cost in 2011-12 is projected to be only \$500k due to lower production and the resulting lower usage of the SFETC.

## Conclusion

When the film industry is flourishing, it offers many benefits to the province of Saskatchewan. Those benefits range from the obvious – jobs; contribution to the economy through spending; and opportunities for Saskatchewan expression – to the less obvious – pride of place for the people of Saskatchewan when they see their landscapes, neighbours, and stories on the screen; promotion of Saskatchewan when our productions are shown in 100+ countries around the world; and leadership in technical advances as our industry embraces the digital media world.

The Film Industry Task Force presents their recommendations as a win-win proposition that will allow the film industry to regain momentum and stabilize while at the same time allowing the province to tap into the economic potential that Minister Moore identified.

### **For more information please contact:**

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