

Approvals: Dir: _____ ED SC ADM DG DM DF

Ministry of Community, Sport and Cultural Development
BRIEFING NOTE FOR MINISTER

Ref #: 151735

FOR MEETING

Date: October 18, 2012

Title: Meeting on October 23, 2012 with Peter Leitch, Chair, Motion Picture Production Industry Association (MPPIA) and President of North Shore and Mammoth Studios; Crawford Hawkins, Vice Chair of MPPIA, Executive Director of the Directors Guide of BC (see *Appendix One: Background Information*) and Paul Klasssen, Business Representative IATSE Local 891

Issue: Faced with the impending return of the PST, and the recent report released by the Expert Panel on Business Taxation, Mr. Leitch and his MPPIA colleagues will likely wish to discuss ways for B.C.'s film and television industry to maintain its global competitiveness.

Background:

Current state of film and television in B.C.:

- Vancouver is one of North America's leading film and TV production centres.
- Motion picture production spending in B.C. totalled \$1.18 billion in 2011, with overall spending up 16 per cent over 2010.
- Foreign production activity represented 82% of total expenditures while domestic production represented 18% of expenditures.
- In 2012, television production has been steady while feature film activity is down from previous years. It is anticipated that production expenditures in 2012 will reach \$1 billion, driven largely by robust television and visual effects production activity. Of growing concern however is the lack of large budget feature films.
- Motion picture production spending in Ontario totalled \$1.26 billion in 2011 (\$413 million foreign and \$852 domestic). Unlike B.C., Ontario has recently hosted several large budget feature films including, "*Pacific Rim*", "*Total Recall*" and "*Robocop*" each with an estimated budget in excess of \$200 million per project.

B.C.'s Competitiveness:

- On Sept 17, 2012, The Expert Panel on Business Taxation delivered its final report; the panel recommended that the tax credits directed to the screen-based industries (film, television, and interactive digital media) be maintained but not increased.
- Tax incentives are one important factor in the decision making process for motion

picture producers but B.C. remains an attractive location for film production in an increasingly competitive national and international environment.

- Production companies continue to favour B.C. due to its:
 - Outstanding range of locations.
 - Full service infrastructure.
 - Leading-edge post-production and visual effects facilities.
 - Talented and well respected workforce.
- The B.C. government has taken action to support the industry's success:
 - A film-favourable tax regime.
 - An estimated \$287 million in tax credits for 2012/2013.
 - Financial support for the B.C. Film Commission, British Columbia Film + Media and regional film commissions.
- Despite this, film production in B.C. continues to face challenges:
 - The high value of the Canadian dollar.
 - Continuing global financial uncertainty.
 - More lucrative tax credits in Ontario and Quebec and several US states.
 - Limited availability of development funds for domestic producers.

Families First Considerations: The film and television industry generates revenue and job opportunities for B.C.'s families.

First Nations Considerations: N/A

Discussion:

Potential meeting topics:

1. PST Exemption for film and television:

- Because film and television is defined by the North American Industry Classification System (NAICS) as a service producing industry, rather than a manufacturing industry, a number of industry expenses will be subject to taxation once B.C. reverts back to the PST.
- This will add to the cost disadvantage already experienced by the industry when competing with jurisdictions, such as Ontario and Quebec both of whom offer higher tax incentives and a harmonized sales tax.
- Many film and television production activities can be defined as manufacturing. The assembly of a film product involves all of the complex production processes said to typify the 'goods-producing industry' of manufacturing, including: the assembly of raw resources; the processing of those resources into a finished product; and the marketing and distribution of those products in a wide variety of formats to wholesale and retail markets.
- There are currently HST and PST manufacturing exemptions for film and television productions in all other Canadian jurisdictions (apart from PEI); when

B.C. reverts to PST in 2013, it will be one of the only jurisdictions to charge (or fail to refund) provincial sales tax on film production (See *Appendix Two: HST & PST tax exemption list*).

2. BC Development Fund:

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3. Screen Based Entertainment Industry Association:

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- This could create a unified industry association voice for film, television and interactive digital media.

Recommended Response:

- The Province of British Columbia will continue building a positive and productive relationship with B.C.'s film and TV production sector in order to sustain our success.
- We will ensure that all areas of our Ministry, as well as government, collaborate in our efforts to support the industry and find opportunities for growth.

Contact: Susan Croome, B.C. Film Commissioner
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Appendix One: Background Information

The Motion Picture Production Industry Association of British Columbia (MPPIA) is a non-profit society established in April 2002 to represent the collective interests of British Columbia's film, television and commercial production industry. With over 65 members drawn from all sectors of the film and television industry in British Columbia, MPPIA's mandate is to grow, diversify and maintain a globally competitive film and television industry in the province. To achieve this mandate, MPPIA engages in regular consultation with all levels of government, conducts an annual trade mission to Los Angeles and works collectively on initiatives to grow and sustain a healthy film and television industry in the province.

Peter Leitch is the Chair of MPPIA and the President of North Shore and Mammoth Studios, two of Vancouver's biggest studio facilities.

Crawford Hawkins is Executive Director, Directors Guild of Canada BC, as well as Post Production Producer, Seahawk Communications, Inc.

Appendix Two: HST & PST tax exemption list

Comparison of the Application of Provincial Sales Tax to Film Production in Canada: Key Points	
1. Provincial Sales Tax does not affect movie productions in most Canadian provinces/territories.	
• ON, NB, NS, NF use HST (a flow-through tax from movie-producer's point of view).	
• QC has its own blended version of HST.	
• PE is about to switch to HST in 2014.	
• AB, YT, NT, NU do not have provincial sales tax.	
• So, 9 of 13 Canadian jurisdictions don't have to think about the implications of PST on film production, soon to be 10 of 13.	
• BC, SK and MB are the provinces with PST that impacts film production.	
2. Several jurisdictions use, or formerly used, administrative regulations to provide specific exemptions for film production facilities and/or productions (as opposed to designation of film production as manufacturing).	
• ON, QC, NB and NS appear to have used administrative regulations to exempt aspects of film production prior to adopting HST.	
• MB and SK uses exemptions for some parts of film production.	
• PEI has no exemptions for film.	
3. Between HST and PST exemptions in other places, BC appears to be the only jurisdiction apart from PEI to charge (or fail to refund) provincial sales tax on film production.	

SOURCES: Posted websites of provincial/territorial governments, film production industry publications, news publications.