TORONTO

STAFF REPORT
ACTION REQUIRED

Strategic Plan for Toronto's Screen-based Industry

Date:	August 10, 2007
To:	Executive Committee
From:	Peter Finestone, Acting Film Commissioner
Wards:	All
Reference Number:	

SUMMARY

Over the past 40 years, Toronto has developed a fully-integrated screen-based entertainment industry which is recognized as having among the world's best crews, and a full spectrum of producers, companies, actors, directors and infrastructure. It became Canada's English-language Centre of Excellence in film and television. The combined domestic and foreign service industry employs tens of thousands, brings Toronto to the world and, until recently contributed more than a billion dollars annually to Toronto's economy.

However, Toronto, the other orders of government, national and local agencies and the industry itself has not kept pace with changing market realities nor has it responded effectively to increasing global competition. In the last five years, major production spending in Toronto has declined by 35% and the industry is facing a crisis. Government, agencies and local industry must take action together, strategically and quickly, to re-establish Toronto's position as a Centre of Excellence, to create the enabling environment required for the industry to succeed and thrive, and to leverage the strength of our new media sector to propel Toronto forward as an innovative and creative industry leader. If we do it right, Toronto – not New York, Los Angeles or London – will be the leading centre of the digital age.

RECOMMENDATION

The Film Commissioner recommends that:

1. Council endorse the Strategic Plan for Toronto's Screen-based Industry and direct staff and the Toronto Film Board to develop and implement a plan to advance the recommendations contained in the Strategy.

FINANCIAL IMPACT

There are no financial implications as a result of the recommendation in this report. It is anticipated that implementation for most elements of the Strategic Plan can be accomplished within the approved budget. Should specific tactics require additional funding, staff will report through the 2008 Operating Budget process for Council approval.

DECISION HISTORY

This strategic plan has not been before Council previously.

ISSUE BACKGROUND

In 2004, Council established the Film, Television and Commercial Production Industry as a priority sector for Toronto and created the Toronto Film Board to give a stronger voice to the industry with all orders of government and to help ensure its continued health and growth in Toronto. At its meeting of March 5-8, 2007, Council re-established the Film Board with a mandate which included strategic planning for the industry and the provision of corresponding advice and recommendations to Council. This report and the appended "Strategic Plan for Toronto's Screen-based Industry" respond to that direction.

COMMENTS

Research and Findings:
During 2006, Economics Research Associates (ERA) conducted research and a broad consultation process leading to an analysis of the state of the screen-based industry in Toronto. In forming their analysis, ERA relied on a wide range of sources including annual reports and research by other agencies and organizations including the Canadian Film and Television Producer Association (CFTPA), Film Ontario, the Canadian Audio-Visual Certification Office (CAVCO), the Canadian Television Fund (CTF), Statistics Canada, the Motion Picture Association of America (MPAA), and data from various trade journals. Through one-on-one interviews and focus groups, ERA sought the expertise and opinions of hundreds of stakeholders including from the Toronto Film Board (TFB) and its working groups, the Ontario Media Development Corporation (OMDC), the Commercial Production Association of Toronto (CPAT), unions, guilds, associations, government officials, individual film and television producers, suppliers and pre- and post-production companies. Finally, ERA conducted an internet survey targeted at broader members of the screen-based community which resulted in 463 responses.

The outcome of this research and the resultant analysis, both on the state of the industry globally and on Toronto's position specifically, is presented in a full report dated January 2007 which is included on a disk at the back of the "Strategic Plan for Toronto's Screen-based Industry" which was developed in response to these findings. The Strategic Plan highlights the history of Toronto's rise and fall in film and television, the current environmental conditions, and makes recommendations on how the industry in Toronto can leverage its strengths and seize the opportunity for renewed growth and leadership. Although action is clearly required immediately, the strategy anticipates a five-year horizon for which specific annual action plans and tactics will need to be developed and implemented. The directions and recommendations contained in this strategic plan align with the ongoing development of the broader Prosperity Agenda for Toronto's economic development. That Agenda will recognize and suggest actions to support creativity as a key driver of our future including screen-based work.

Toronto's film and television industry grew from a few small seeds over the past 40 years. Early on, Toronto was known for making news and public affairs programming, documentaries and short animations, but there was little in the way of dramatic content or imaginative Canadian storytelling. The combination of resource commitment, good public policy (which recognized both the cultural and economic value-added), and hard work by artists, producers, distributors and government alike propelled Toronto forward to its position today as our national centre of English-language production.

Five-years ago, Toronto had achieved the status of third-biggest screen-based industry centre in North America; home base to the nation's four major television and cable networks, the vast majority of English-language film production companies, writers, publishers, designers, directors, producers, technicians, animators, computer programmers and financiers. Toronto had developed strong domestic and foreign service industries and was known for producing high-quality feature films, dramatic and comedic series, movies for television, commercials, animated programs, children's programs and music videos. The industry was the third largest of Toronto's cultural industries, employed 27,000 people directly and tens of thousands more indirectly, was head office to more than 60% of the country's production companies, contributed $1.3 billion in direct spending to the local economy, and served to reflect Toronto's image on the world stage.

Recent conditions:

The industry in Toronto and around the world is facing rapid change and evolution. Technological advancements in recent years have introduced new platforms, formats, production methods, and distribution mechanisms. The industry today has been broadly redefined from "film and television" to "screen-based entertainment" in an effort to represent the new technologies and platforms which range from miniature screens like iPods and cellphones, through gaming devices and traditional screens and up to the super-sized IMAX.

Since 2000/01, the industry in Toronto has faced a continual series of challenges which threaten its status and ultimately, survival, as a major cultural and economic driver.

Global competition has skyrocketed; countries around the world have demonstrated a willingness and ability to deliver services at lower costs. The rising value of the Canadian dollar has further reduced our ability to compete on cost. New technologies in the digital universe such as games, mobile devices, internet file swapping and the 500 channel universe have fragmented audiences and created a demand for cheaper, reality-style programming reducing demand for dramatic programming and Toronto's speciality Movies of the Week. Superior tax credit and financial incentive programs have been implemented in jurisdictions across North America. Counter-productive "spread-the-wealth" government policies have driven production out of Toronto. Old models of financing no longer work in a digital world, and purpose-built infrastructure, built with government support, in other jurisdictions has undercut Toronto's ability to compete.

The result is that spending on major productions in Toronto has declined by 35%; theatrical attendance has declined by 25%; commercial production has declined by 65% and movies-of-the week by 23%. Toronto's share of foreign productions made in Canada declined from 30% to 9%; a third of Ontario production companies' production dollars are now spent outside of the province; and overall production spending has declined from $1.2 billion in 2000 to $700 million in 2006. The industry is in crisis and quick action is imperative.

The Future:
Despite the significant challenges noted, Toronto has a tremendous base from which to build. The core elements of talent, crews, producers, concentration of companies, financial infrastructure, educational institutions, and technological expertise are all in place. Physical infrastructure development is underway. FilmPort will open in the Spring of 2008 and negotiations are underway to build a studio for The Pinewood Studios Group. However, competitive advantage and market share must be developed with the support of clear strategic objectives, public policy and capital investment. The recommendations contained in the Strategic Plan are captured within three major themes:

Excel: Rather than policies and regulations that drive business away from Toronto, governments must design and align policies and programs to support the enhanced sustainability of Toronto as the national centre of screen-based industry excellence. Toronto should focus on becoming the English-speaking world's foremost centre of excellence; marketing itself worldwide as the best location for purpose-built, state-of-the-next-art studios with globally competitive attributes including a diverse pool of trained professionals, specialists and experts, leading and award-winning innovative institutions and educational programs, and a City of vibrancy and liveability that is unmatched by any other creative city.

Enable: To attract high-end productions and investment, Toronto must use planning tools and incentives to protect its employment lands, lure infrastructure development and retain the critical mass of industry in the City. The City must advocate for public polices that promote the concentration of industry, talent and skills so that they have maximum economic impact. Governments must shape financial tools, tax policy, and new methods of support that reward investment and ensure access to the necessary capital resources to grow new screen infrastructure and to create quality productions. The CRTC and other government bodies must redress policy directions which have served only to reduce demand for original Canadian content and which limit Toronto's competitive ability.

Innovate: The future lies with digitized New Media and Toronto is strongly placed to compete. Forums must be created where traditional film and television players can partner with new media specialists to aid entry into new markets, to support the telling of provocative and evocative stories in creative new ways, and to address the challenges of managing intellectual property rights in a globally and electronically borderless world. Toronto must augment the efforts of the colleges and universities to lead the creation of the new forms, techniques and methods of the future screen industry and a national effort to build local and international audiences for Canadian and Toronto product must be a priority.

CONCLUSION

Toronto, as the site of the most well-articulated screen-based industry in the country, is in the best position to lead the way toward the multi-platform future. All orders of government, industry stakeholders, agencies and institutions must work together towards these objectives; to recapture past strength, and to propel Toronto to new levels of success in the digital age. Through cooperation and effort, film trailers and crews will once again enliven our streets, creative entrepreneurs and talented people will flock to our City from around the globe and stories and productions by Canadians will be seen domestically and internationally. Once again, Canada's English-language Centre of Excellence will thrive and make an enormous contribution to our culture and economy.

CONTACT

Peter Finestone
Acting Film Commissioner
416-392-3376
pfinesto@toronto.ca

SIGNATURE

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Peter Finestone
Acting Film Commissioner

ATTACHMENTS

"Bounce Back to Fast Forward – Strategic Plan for Toronto's Screen-based Industry, September 2007"

bounce back to fast forward

Strategic Plan For Toronto's Screen-based Industry

Toronto Film Board
Economic Development, Culture & Tourism
September 2007

TORONTO

"Toronto is Canada's most integrated screen-based centre. This strategy tells us where we need to excel, enable and innovate in order to ensure the health of the Toronto industry and to grow it into the English-speaking world's leading centre of the digital age. We - all orders of government, the local industry, and Canada's regulator and film-related agencies - need to move fast, act strategically and work together to harness this opportunity for the benefit of all Canadians."

David Miller

David Miller, Mayor

Susan Murdoch, Producer,
Co-chair, Toronto Film Board

in summary
from crisis to opportunity

It took 40 years and a partnership between creative entrepreneurs and three orders of government to build Toronto's screen-based entertainment industry. This investment created a fully integrated industry in Toronto employing tens of thousands of highly experienced and talented crews, producers, companies, actors, directors and infrastructure in one of the world's most wired cities.

With all of these critical core elements in place, Toronto was well-established as the national English language centre of excellence, and until recently, consistently poured more than a billion dollars annually into the economy. But, today this entertainment and cultural industry has been seriously wounded. In the last five years, major production spending in Toronto has declined by more than 35% and the future of this vital sector is in jeopardy.

The City of Toronto, the Toronto Film Board, industry partners and consultants analyzed the causes of this downturn and propose solutions in this strategy (studies and reports appended). In summary, we learned that: ill-conceived public policies, an intense increase in foreign and Canadian competition, and the rising Canadian dollar have all contributed to this serious decline and have eroded Toronto's position as a centre of excellence.

After 2002, many factors came together in a perfect storm:

- The screen-based industry, which includes productions aimed at platforms ranging from iPods to cellphones, gaming devices and IMAX, is in a paradigm shift changing forms of production, distribution and finance.
- Toronto, Canada's centre for English language screen-based production has been hollowed out by counter-productive government and agency policies including some which reward producers for taking projects outside Toronto and the relaxation of regulations that had once encouraged the domestic industry to flourish.
- Intense foreign and Canadian competition, supported through tax incentives and subsidies, is driving business and workers away from their home base in Toronto.
- Purpose-built studios assisted by public funds have been constructed everywhere but Toronto and draw productions away from the City.
- The rising dollar eliminated Toronto's competitiveness, based on low or lower cost.
- New methods of financing are required for a digitized screen world.

Not withstanding the current dire situation, Toronto can recapture past strength and be propelled to new levels of future success in this digital age. Our vision sees a thriving screen-based industry in Toronto with film trailers and crews enlivening city streets once again and stories and productions by Canadians seen domestically and around the world. Strategies to increase our competitive advantage and market share must be supported by government policy and capital investment. The screen-based entertainment industry, creative entrepreneurs and all levels of government must work together to correct the disastrous current state of the industry.

To return this industry to health*:

- We must invest public and private equity, and return to a regulatory system that creates demand and rewards investment in high-quality Canadian productions.
- Toronto must retool, becoming the place where a unique combination of artistic, computational and networking excellence is channeled by strong financial services into a globally competitive screen-based industry and the English-speaking world's foremost location to practice the screen arts of the digital age.
- Toronto needs to demonstrate to other levels of government, the industry's capacity and essential role.
- Ontario and Canada must support Toronto as the nation's English language centre of excellence in part by adjusting the current tax bias in favour of the regions which have no prospect of building a fully integrated industry.
- Ontario's tax credits and financial tools must be re-crafted to make Toronto attractive again to producers.
- Institute tax credits for commercial productions to reestablish the industry segment and drive experimentation, learning and opportunity.
- Major exhibitors must make more of their screens available to Canadian productions.
- The CRTC must amend its 1999 policy shift which relaxed content rules for high-quality Canadian productions.
- Toronto must use its planning tools and incentives to develop infrastructure and lure productions.
- Partnerships and forums should be created to accelerate understanding and integration of the traditional and new media arenas creating new opportunities in this digital wireless world.

We all have an essential role to play and we need everyone to work together.

*Note full recommendations can be found on pages 28 to 31.

Toronto Film Board

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Susan Murdoch, Producer, President, QVF Inc.

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Rhonda Silverstone, Manager, Toronto Film & Television Office

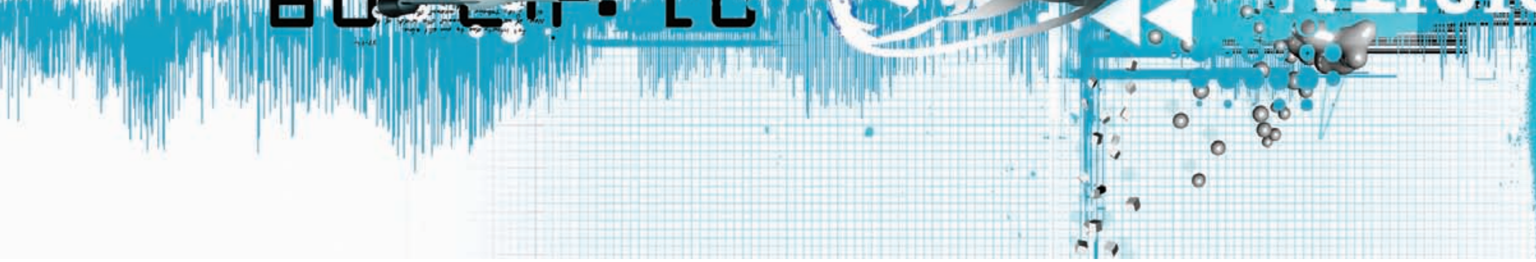
screen-based industry: a close up on synergy

Toronto's fully integrated screen-based industry had grown slowly from a few carefully nurtured seeds

Over previous decades, Toronto grew comfortable with its status as the third-biggest screen-based industry centre in North America. This industry creates productions and entertainment for any screen from super-size IMAX to cell phones. By the turn of the millennium, its prospects were bright; the long awaited age of digital New Media had arrived and Toronto, one of the world's most wired cities, was closing in on the number two spot, a position occupied by New York City. Without leaving home, Toronto's artists could perform upon the world stage and Canadian stories could be told at home and abroad. We didn't even mind the nickname Hollywood North.

Toronto's fully integrated screen-based industry had grown slowly from a few carefully nurtured seeds. It became home base for the nation's three major television networks, Canada's biggest cable network, the vast majority of English-language film production companies, and the preponderance of the country's live theatres, actors, singers, dancers, writers, publishers, designers, directors, producers and technicians, animators and computer programmers. It also gathered the financial and legal capacity to raise the capital, provide insurance and protect intellectual property that the screen-based industry requires. By 2000, more than 30% of all Canadian screen arts production dollars were spent in Toronto.[i] Toronto was head office for six out of the top 10 production companies in the country[ii] and production spending totalled $1.2 billion.[iii]

Toronto's screen entertainments included: theatrical release feature films; dramatic and comedic series and movies for television and cable nets; commercials; animated programs; children's programs; music videos; New Media creations. Demands for services to make and display these offerings



had led to the building and retrofit of over one million square feet of studios,[iv] post production facilities, and the creation of internationally renowned film festivals. The producers, artists and craftspeople are supported by a wide chain of agents, distributors, advertising agencies, lawyers, bankers, caterers and transport providers. The screen arts sector in Toronto, directly employing 27,000 people, or 30% of all those working in screen arts in Canada[v] is the third largest of Toronto's cultural industries.

Every order of government supported the common endeavour because it became good business

It didn't happen by accident. Only 40 years earlier, it would have been hard to find anything in Canadian theatres or on Canadian television made in Toronto. While there was news and public affairs programming, documentaries and short animations, there was precious little in the way of imaginative Canadian story telling about things Canadian. All of that evolved as a result of efficient use of resources, decades of work by artists, producers and distributors, and good public policy by three orders of government. Together, they propelled Toronto forward as Canada's national centre of English language screen production. Every order of government supported this common endeavour, first because it was understood that shared experiences forged into stories hold nations together, and because it became good business.

In 1979, City Council created the Toronto Film & Television Office to market the City and help producers negotiate municipal rules and regulations, find studios and useful locations and to access Toronto's many public and private services. In 1992 it joined with the Province of Ontario to run an office in Los Angeles to sing our praises to Hollywood itself. Both governments recognized that screen offerings made in Toronto would help brand us as what we now call a Creative City (global cities that make their living from knowledge instead of hewing wood, drawing water, and rustbelt industries.)[vi] Creative Cities are the generators that drive the global economy forward.[vii]

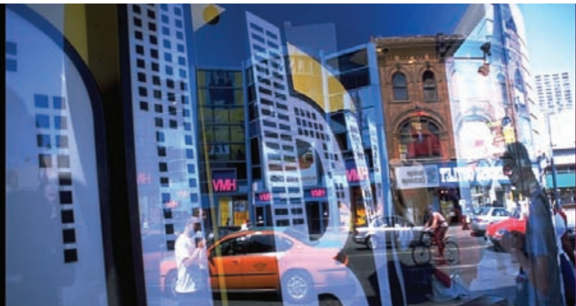
Public funds invested were dollars well spent: Canadian and foreign producers brought their projects to Toronto instead of Los Angeles, New York, Chicago or Montreal. Whether it was indigenous story telling, or the projects of foreign producers working in Canada, it didn't matter. Both helped build capacity and create an industry. Money spent on a Canadian dramatic television series, a U.S. cable Movie-of-the-Week, or on an Oscar-winning film like Chicago (in which Toronto played Chicago), enabled creative work by Canadians. That work buoyed the Canadian economy as a whole.

Toronto and Canada assumed a place in the world's imagination, and the world knocked on our door

All work has economic and social value, but cultural and entertainment works seem to create larger spin offs than other forms of manufacturing. One dollar of public funds invested in cultural industries levers $10 of private funds in production activity[viii] sending more public dollars back into the public purse. Though the screen sector represents only one per cent of the total economic output of Toronto, it always punched way above its weight class. As a result, Toronto and Canada assumed a place in the world's imagination, and the world knocked on our door.

Toronto enjoys the best educated workforce of any of our competitors[ix] and is the most diverse city in the world with more than 100 languages and dialects spoken[x]. All kinds of people from all kinds of places have chosen Toronto as home and live together in civic peace. Our screen industries, and our award-winning New Media, put Toronto's creativity on the world's stage.

Our screen-based industry did more than tell others about us. It also introduced us to each other. It helped define us. Works of the imagination provide something indefinable yet indispensable to any human society, especially one so spread out and as multicultural as our own. Canadian stories reflect our changing moods, our social composition, our varied circumstances and the experiences that are particular to us, that distinguish us, and bind us. By watching ourselves, we came to know ourselves.

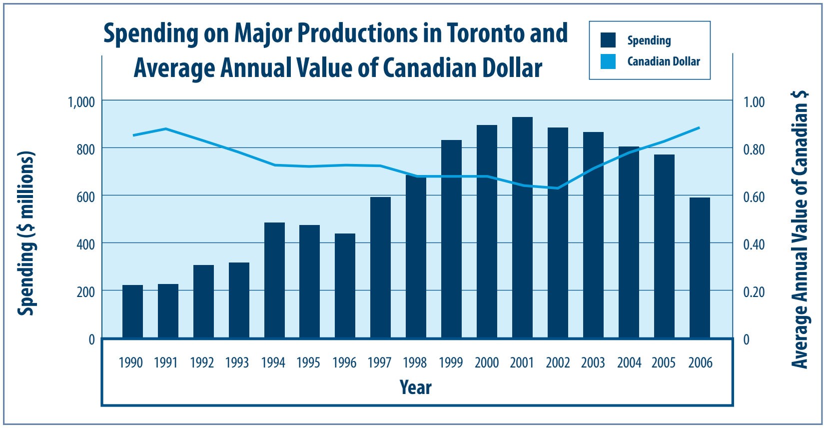


the fade

The best year for Toronto's screen-based industry was the turn of the millennium.

Where once directors from around the world lined up to hire Toronto's experienced teams, the calls were not coming so often

After that, Toronto's producers, actors, crews, bankers, studio heads and union reps began to notice that things were not as lively as they had been. There were new competitors on the block, and the block had gone global. New Zealand, the Czech Republic, South Africa, Romania, places with currencies of lower value and people eager to work were winning the interest of producers looking to reduce costs. Where once directors from around the world lined up to hire Toronto's experienced teams of gaffers and best boys, stunt people, designers, sound experts, actors, and DOPs, the calls were not coming so often. In 2003, during SARS, major foreign productions slated for Toronto's studios and streets began to go elsewhere.



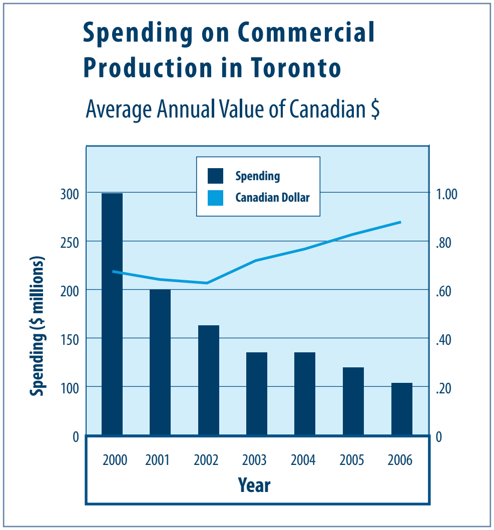
Source: Toronto Film and Television Office 2007

The same year, the Canadian dollar began its long rise from 72 cents U.S. to more than 95 cents U.S. in July 2007.[xi] American producers used to bringing projects to Toronto because they could purchase top ranked services more cheaply, and get a tax credit too, watched their savings dwindle from 15%, to under 2% of the average movie budget.[xii] Demand for Toronto's specialty Movies-of-the-Week, fell as cheaper reality and lifestyle programming came into vogue on Canadian, U.S. and British channels.

New technologies, such as games, internet file swapping, mobile devices, the 500 channel cable universe, all took big bites out of the older theatrical and television markets, fragmenting audiences. TV commercial budgets were slashed.

Toronto's share of the number of foreign productions made in Canada dropped from around 30% to under 9%

Producers shot their projects elsewhere where labour was cheaper and the tax benefits and financial incentives were better. Toronto's share of the number of foreign productions made in Canada dropped from around 30% to under 9%:[xiii]

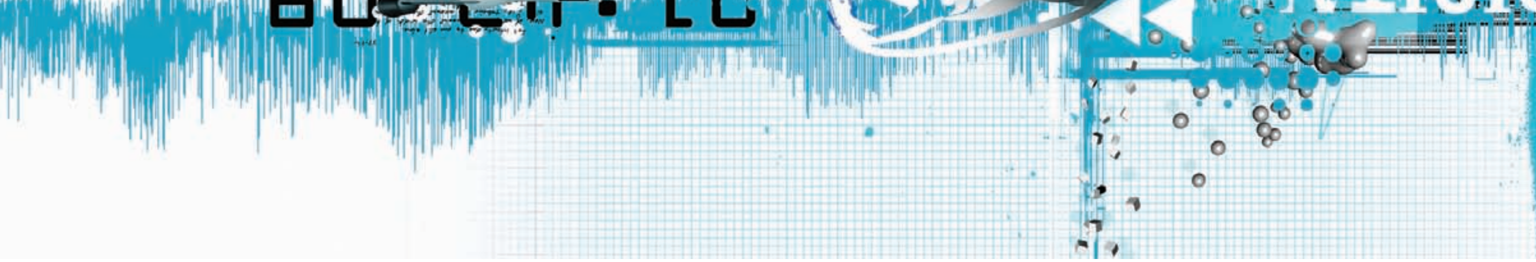


Source: Toronto Film and Television Office 2007

And:

- Theatrical attendance in Ontario declined 25% between 2000 and 2004.[xiv]
- Production of commercials declined by 65% between 2000 and 2006.[xv]
- Between 2001 and 2006 Movies-of-the-Week made in Toronto declined by 23%.[xvi]
- In 2005 Alliance Atlantis, Canada's largest producer of series television, which launched the CSI series and sold it as a franchise everywhere, announced it was shutting down its production business.[xvii]
- Toronto-based productions, including commercials, declined from $1.2 billion in 2000 to $700 million in 2006.
- By 2004 about a third of Ontario production companies' production dollars were spent outside the province.

By 2005 the trailers and crews that used to enliven our streets were nowhere to be seen. The screen arts industry was in crisis.



the symptoms

In 2006 leaders of Toronto's screen-based industry came together to compare notes. The decline in the volume of business was obvious and serious. The question was: what were the causes and could they be addressed?

Various analysts were hired to take the pulse of the industry.

PRO (Producers Roundtable of Ontario), the NMBA (New Media Business Alliance), FilmOntario, and the CFTPA's (Canadian Film and Television Producers Association) Ontario Producers Panel[xviii] wrote a study for the Premier to lay out the issues and how they might be addressed. They also hired PricewaterhouseCoopers LLP to do an independent evaluation.[xix] City Council asked industry to provide advice through the formation of the Toronto Film Board,[xx] a group representing all aspects of screen-based production in Toronto. The City also hired ERA (Economics Research Associates) of Los Angeles to produce an analysis, but most of all, to help craft a plan.

ERA set out to define the problems and chart the trends. It conducted hundreds of interviews with stakeholders, did a survey and gathered reams of published data on the industry over the past five years.

ERA reported that Toronto is the site of a fully articulated screen-based industry, capable of supplying all aspects of the business from the most basic to the most complex. The domestic production sector in Toronto possesses a tremendous base from which to build. However, like any other economic sector, competitive advantage and market share is never guaranteed, nor is it durable over the long run without incorporation of clear strategy objectives that are supported by public policy and capital investment.[xxi]

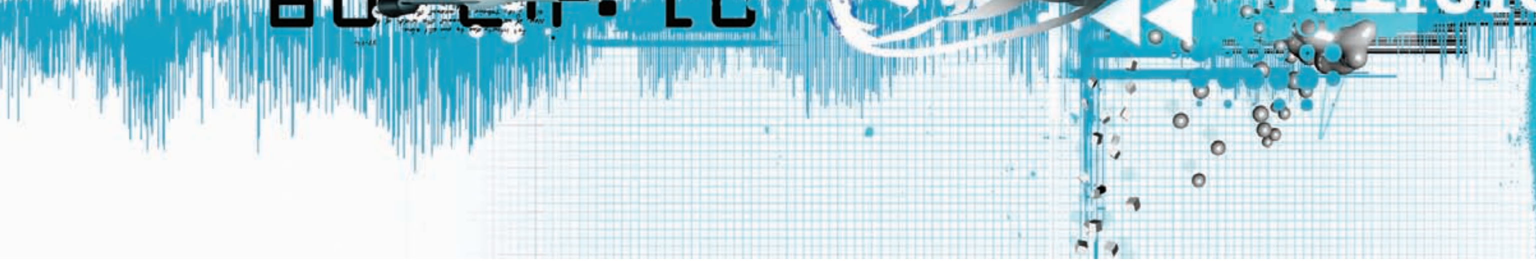
> Competitive advantage and market share is never guaranteed, nor is it durable over the long run without incorporation of clear strategy objectives that are supported by public policy and capital investment

In other words, a great industry is like a living thing. Every day it needs new sustenance as it makes its way in the world against competitors and predators. No growth is another phrase for slow death.

The situation is precarious, but if we move fast, and think faster, we can leap ahead to the next stage

Key insights:

- The screen industries are in transition from simpler forms of production, exhibition and distribution to new methods, a change so fundamental some call it a paradigm shift.
- Toronto's infrastructure, talent pool, and position as the English language screen production centre for Canada is being hollowed out by two orders of governments' counter productive spread-the-industry-thin policies. We can't afford it: The US, with a population 10 times bigger, has only two centres of excellence.
- Toronto's former strategy of competing for foreign-based production on the basis of low cost can no longer succeed. Toronto must compete instead on the quality of its talent and its capacity to lead the development of New Media.
- New methods of finance must replace old models which are no longer applicable in a digitized screen world.
- Domestic production must consider market intelligence and connect to new audiences.
- The situation is precarious, but if we move fast, and think faster, we can leap ahead to the next stage.



catching the **wave**
when technology gives, it also takes away

The screen arts have always been driven by the advance of the technologies used to make them.

As each new distribution system came into being, new business opportunities were created and old systems were forced to adapt

In 100 years we've gone from silent flickering images thrown on screens in tiny neighbourhood Nickelodeons, to full sound and motion available anytime, anywhere on a cell phone. At first, innovation was slow, but with each new invention things speeded up. The change from analogue to digital technologies in all areas of screen production has pushed innovation to warp speed.

Every innovation has forced a change in the basics of the business. At first, movies were made by studios and paid for at the gate by an audience. Then television came along, followed by cable, games, videos and DVDs. Each was resisted, and then each was incorporated as a new market. TV entertainments were offered free to the audience, but paid for by sponsors or companies purchasing air time to advertise their products. Cable was paid for by subscribers with fees added on for particular bundles of services.

As each new distribution system came into being, new business opportunities were created and old systems were forced to adapt.

Innovation in cable technology made it possible to carry 500 television channels through fibre optic networks which can take vast streams of data. Then commercial satellites were launched capable of carrying huge amounts of digitized programming and transmitting it anywhere. The continuing revolution in computing capacity underlying these advances made high speed

New structures have not been devised to pay New Media producers for distribution and exhibition rights in advance of production

internet access available to most households for the price of two movie tickets a month. New artistic forms such as computer animation soon replaced more expensive methods. Internet downloads and uploads made it possible for friends to share music and movies without physically trading videos or DVDs. Then came pod casts and wireless delivery to computers and cell phones.

Each step forward was enabled by new methods of distribution and finance. Each reduced the market share established by previous innovations. All screen arts producers had to solve the same problem over and over again - how to get paid for creating something to entertain an audience.

The business models consistently lagged behind the inventions. Producers learned to be nimble or die, to finance with debt while learning how to sell rights sequentially into new markets.

But in the last five years, the screen industry's ever-expanding markets have fractured in more ways than can be counted. No longer are products rolled out into markets in an orderly sequence. As digitized media have taken off, theatres have closed and television license fees have shrivelled along with audience shares. With ever-growing penetration of households by high speed internet, through cable and phone systems, anyone can upload images through YouTube, and download books and movies over distribution/ library systems like Google and Netflicks. New structures have not been devised to pay New Media producers for distribution and exhibition rights in advance of production; which is how movies and television series have traditionally been financed. Sometimes, the content creators don't get paid at all.

All of these changes have played havoc with the whole screen-based industry worldwide.

subverting Darwin
a Canadian business plan

In business, as elsewhere in life, Darwin's rules apply. The first group to establish itself in a market generally attains an insurmountable height from which to hold down competitors.

The governments of Canada, Ontario and Toronto recognized many years ago that to build a Canadian screen-based industry, public funds had to flow. Only the public could afford the risks of entry into the well established screen business.

Only the public could afford the risks of entry into the well established screen business

Hollywood got into the screen business in the 1920s and established its hegemony with massive investments in infrastructure and talent in Los Angeles, at a time and in a place where more days per year of reliable sunshine was a business advantage for a technology that needed available light.

Studios like RKO and MGM built film versions of old theatre repertory companies which they staffed with directors, actors, writers and crews. They put out their products through worldwide distribution networks.

By the late 1970s, as the Hollywood studios began to make way for independent producers, there were still no Canadian movie studios able to advance money to producers (based on a reasonable estimation of future box office earnings), in exchange for the rights to distribute their movies in theatres. Almost all movies shown in Canada were Hollywood's products distributed by American theatre chains operating subsidiaries in Canada.[xxiii]

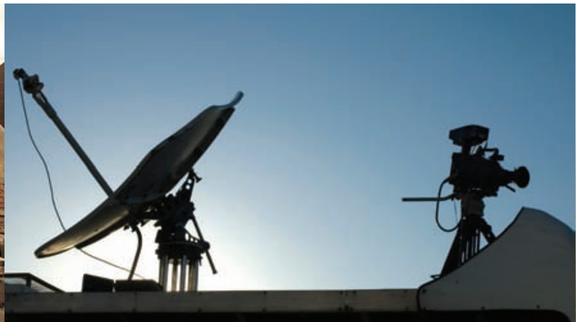
Similarly, our television networks were too small to match the licence fees paid by U.S. networks for new television series.

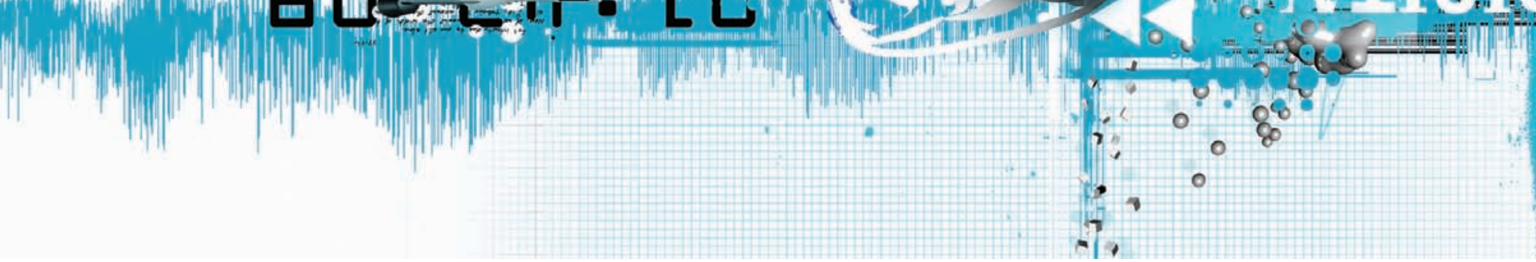
In the 1970s, the average U.S. hourly drama cost a million dollars U.S. per episode compared to a Canadian average in the hundreds of thousands. That ratio still holds true. Now it's $1.8 to $3 million in the U.S., versus $1 million spent in Canada.

Without a comparable market to the U.S., few Canadian financiers were ready to take on the advanced Hollywood apparatus or the TV business headquartered in Los Angeles and New York. Only governments were big enough to force open the business.

So Ontario and Canada developed tax supports and new institutions to kick-start an independent industry. And succeeded. But Canada's best tools were soon noted and copied and deployed against us.

Canada's best tools were soon noted and copied and deployed against us





the policy instruments
shelters, credits, grants and regulated demand

A film tax shelter was the first step in creating what we have now, a synergistic business which feeds on itself

In the early 70s, the Canadian government borrowed an idea from the mining industry, to encourage private investors to put their money into films, allowing investors to write off their Canadian film and television investment losses against other taxable earnings. This instrument encouraged the hiring of Canadian writers, directors, technicians and crews and gave Canadian producers an economic reason to do business in Canada. It was the first step in creating what we have now, a synergistic business which feeds on itself.

The federal government also invested public dollars in a few selected Canadian film projects through an organization, founded in 1967, now called Telefilm. As the business grew under the tax shelter, so did this institution. Telefilm's grants program is now assisted by CAVCO (Canadian Audio-Visual Certification Office) which administers the tax and Canadian content rules for audiovisual productions in Canada.

The Canadian Radio-Television Commission (CRTC) was also instructed to make it a condition of television licences that Canadian television networks carry a certain percentage of Canadian content - dramatic series, movies, comedic half hours, variety. The point was to create demand for Canadian productions, as well as to make sure money was available to producers to make them.

The earnings of cable networks were also regulated by the CRTC. They were required to put a percentage of their returns into the Canadian Television Fund to help support Canadian productions.

The original federal tax provisions, public and private equity investments, and

CRTC regulations all helped Toronto established itself as Canada's English language production centre.

In 1996 the federal tax shelter was dropped in favour of a system of federal tax credits for Canadian labour.

In 1999, the federal government, through the CRTC, amended its policies on creating demand for Canadian productions. It revised the rules imposed on television networks with regard to Canadian content. The definition of prime time changed to include hours devoted to news and public affairs, which from that point on could be considered Canadian content. Similarly, the CRTC reduced the percentage of original Canadian drama which networks were required to carry. As a proliferation of dedicated cable channels were given licences to operate by the CRTC, the definition of Canadian content applied to them was written broadly enough to include cooking shows and household design programs. It is a great deal cheaper to produce cooking shows than dramas: such lifestyle programs soon flourished while dramatic series made for television in Canada languished causing reduced employment and economic activity.

Ontario created a new grants program to help develop New Media works but dropped its equity investment program for film and television

Meanwhile, in 1997 Ontario had introduced its own tax credit and equity investment system to help producers make films and television series in Ontario. Gradually the tax credit rose until in 2005 producers were paid back 30% of their actual cost to hire residents of Ontario to work on a production and to finish it in what is called post production. A smaller Ontario tax credit of 18% was also offered to foreign producers who came to Ontario and hired Ontarians to make projects. The Ontario Film Development Corporation, as it then was, made equity investments in projects as well.

In 2000, the Ontario Film Development Corporation's mandate was expanded; it was renamed the Ontario Media Development Corporation and assigned the administration of provincial screen arts tax credits. Ontario created a new grants program to help develop New Media works but dropped its equity investment program for film and television. The Ontario Computer Animation and Special Effects (OCASE) tax credit and the Ontario Interactive Digital Media Tax Credit (OIDMTC) were established as well as a feature film fund, export support and other services.

flying high
on a low Loonie

Canada's low dollar was an indirect form of support for the screen-based industry.

For about 25 years, as the industry was forming, foreign producers could make their projects in Canada much more affordably than they could in Britain or in the U.S. simply because they were buying services in Canadian dollars and getting paid for their product in more valuable U.S. dollars or pounds sterling.

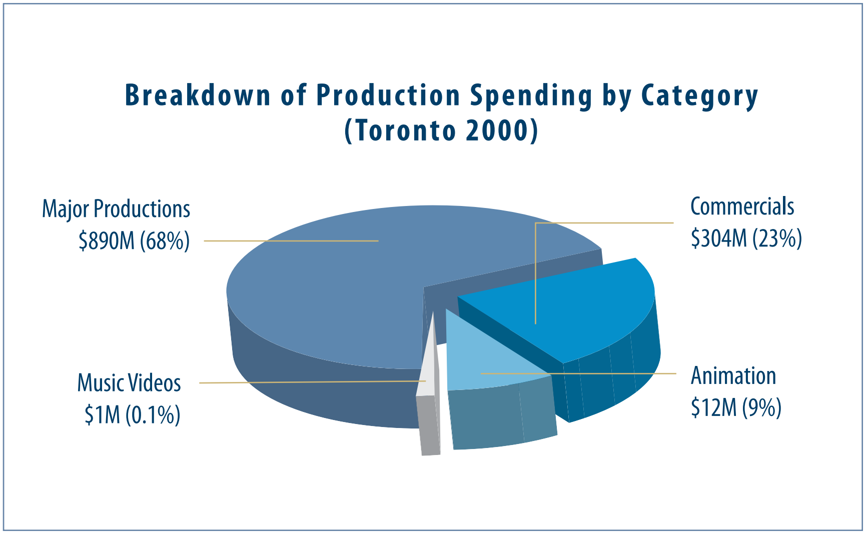
Crews and talent were employed year round

This service business, as it is called, provided a steady stream of work for Toronto artists and technicians which effectively honed their skills and raised their standards to the highest in the world.

The federal government entered into various treaties with other countries such as France, Britain, Italy and Belgium, allowing both countries to treat co-productions under their content and tax laws, as if they had been made domestically.

Up until the turn of the millennium, the public policy efforts mostly paid off. The combination of Canadian and foreign productions being made in Toronto meant crews and talent were employed year round.

This allowed everyone to polish their arts and crafts to the very highest levels, lifting the quality of Toronto's productions, and increasing capacity in all supporting industries.



Source: Toronto Film & Television Office

We made our own stories and we had our own stars.

In the peak year 2000, producers spent $1.2 billion in Toronto on major productions. Including animation, this figure grows to $1.3 billion and it is estimated that more than $320 million was spent in Toronto on “broadcaster in-house” productions.

brutal competition
the tax wars

Nothing creates competition like success.

Toronto and Ontario were successful at creating a screen industry with the use of the tax shelter, tax credits and practical and logistical aids such as the Toronto Film and Television Office which worked collaboratively to make Toronto a screen arts friendly place. Eventually, other jurisdictions saw the virtues of having a screen-based industry and wanted their own. They too wanted to advance local story telling, branding, cohesiveness and to promote group identity. They emulated Ontario's and Canada's fiscal innovations. Where once Canada and Ontario offered tax shelters and tax credits unavailable in the U.S., gradually many other countries and several U.S. states developed their own versions of our tax credit systems.

> Other countries and several U.S. states developed their own versions of our tax credit systems

New Zealand, South Africa, and Romania created tax credits to attract foreign productions.

New tax credit systems in places such as New Mexico, Connecticut, New York State, effectively drained production out of both Hollywood North and Hollywood itself. Now, more than two thirds of U.S. production is shot outside of Los Angeles.[xxiii] In 2004, New York City, which employs 100,000 people in its screen-based industry, struck back at its competitors and introduced a particularly effective tax credit and promotion system on top of a New York State tax credit. Project shooting days in New York grew by 36% in one year.[xxiv] The program was so attractive to producers, New York City used up its allocation of $50 million in tax credits three years ahead of schedule.[xxv] Then they added more money and expanded the program to include commercials.

Saskatchewan and Manitoba in particular have raised their credits much higher than Ontario's - up to 37% higher

Comparative Production Tax Credit/Rebate Rates Canada*

Province	Canadian Labour Only	All Expenditures
Ontario	18%	n/a
British Columbia	18%	n/a
Quebec	20%	n/a
Yukon	35%	n/a
New Brunswick	40%	n/a
Newfoundland & Labrador	40%	n/a
Nova Scotia	40%	n/a
Alberta	n/a	23%
Manitoba	45%	n/a
Prince Edward Island	52.5%	n/a
Saskatchewan	55%	n/a
Federal	16%	n/a

Comparative Production Tax Credit/Rebate Rates United States*

State (selected states only)	Labour Only	All Expenditures
New York (incl. NYC)	n/a	15%
Arizona	n/a	20%
Hawaii	n/a	20%
Pennsylvania	n/a	20%
New Mexico	n/a	25%
Rhode Island	n/a	25%
Connecticut	n/a	30%
Illinois	20%	20%
Louisiana	10%	25%
Massachusetts	20%	25%
Wisconsin *effective Jan. 2008*	25%	25%
South Carolina	20%	30%

Source: Borden Ladner Gervais LLP - International Film Incentives 2007

* Note: The above rates are provided for general comparative purposes only. Rates represent maximum available exclusive of VFX or other special incentives. Certain conditions and caps apply.

Producers in Toronto continue to struggle just to gap-finance their tax credits

But the most brutal competition came from the rest of Canada.

British Columbia, Alberta, Nova Scotia, Saskatchewan and Manitoba identified the screen business as important to advance their provincial brands and economies. They too created tax credits and other incentives to lure productions to their jurisdictions.

In recent years, after private and public investments in studio space and training, they also raised their labour tax credits to counteract the dampening effect of the rising value of the Canadian dollar. Saskatchewan and Manitoba in particular have raised their credits much higher than Ontario's - up to 37% higher.

As well, Saskatchewan and Manitoba, which do not have enough trained labour available, permit producers to import staff and deem them as provincial residents for purposes of the tax credit. In addition, these other jurisdictions pay their tax credits quickly - there is no long lag between the time the producer spends money until repayment as there is in Ontario where it takes an average of 18 months before producers are reimbursed.

Quebec instituted a new system of screen arts funding that involved the creation of two new agencies. First it set up SODEC which invests in selected projects and administers provincial tax credits for Quebec productions. This was followed by the creation of FIDEC which offers loan guarantees to help complete production financing on approved projects.

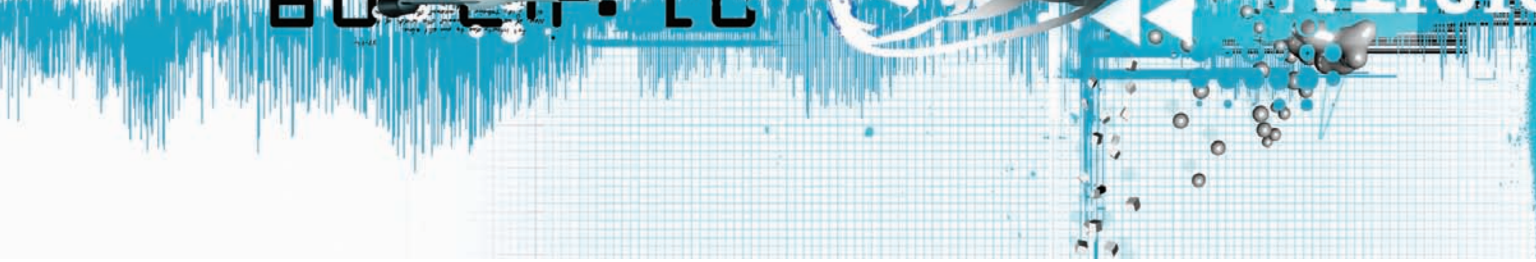
Government-guaranteed loans attract much lower interest rates than banks normally charge for production loans. SODEC and FIDEC have focused on funding projects which will reach big audiences. The result is that Quebec producers have made profits at the box office and accumulated reserves for the development of new projects, while producers in Ontario continue to struggle just to gap-finance their tax credits.

The time lag in tax credit payouts forces Ontario producers to borrow money against an estimate of what the government will eventually pay. The banks discount the estimate and provide a loan for 85% of the total value, and then charge interest as well as a fee. Producers are also required to pay all legal costs of each borrowing.

Often the only way to finance a deal is for producers to give up their fees and sell off future licencing rights

Significant amounts of money are drained away from the product and producers' pockets. Often the only way to finance a deal, to close the gap between advances and costs, is for producers to give up their fees and sell off a host of future licensing rights.[xxvi] In other words, to work for nothing and sell off hope or to take their productions to a jurisdiction with better incentives.

Not only have the other provinces been able to attract foreign producers, but Toronto producers have gone east and west to minimize costs. A third of the expenditures of Toronto-based companies - $700 million - were made outside the province in 2004.[xxvii]



spreading thin

The federal government for many years has designated economic development regions in parts of the country where the economy needs help. It has given various grants and favoured tax treatment to businesses that locate in such regions.

The Toronto Region, as the financial and manufacturing capital of the country, has never been deemed an area in need of help. But in Montreal, Vancouver, Regina and Winnipeg, state-of-the-art film studios were built using the federal regional economic development program as well as other government support. These studios began to attract business away from Toronto.

Some industries, particularly screen arts, don't lend themselves to being spread thin

In 2000, Ontario instituted a new policy to encourage filming outside Toronto by offering additional tax credits for productions shooting outside the region.

The idea behind this policy was to spread a highly valued industry into Ontario's regions. But some industries, particularly screen arts, don't lend themselves to being spread thin. In fact, they grow best in big Creative Cities where talent is concentrated, and there is a sustaining supply of work.

Screen arts, like other art forms, are only mastered by doing. They require a sophisticated infrastructure, including state-of-the-art studios, post production facilities, and schools that train sufficient newcomers to supply the business as it grows. But screen arts infrastructure is expensive, and can best be afforded where capital costs can be amortized through constant use.

Ontario's spread-the-wealth policy for the screen-based industry undercut the value of public investments already made in Toronto and drove production outside of the region.

Further, forced commuting flew in the face of Ontario's health, safety and environmental policies by dragging workers away from their home base in Toronto where most screen arts workers live.

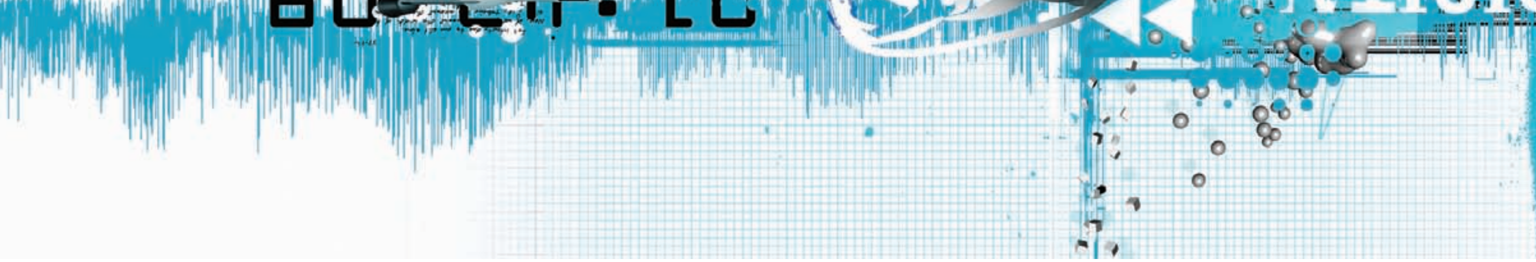
The result in Ontario has been startling: in 2001, 84% of all Ontario's screen arts productions were shot in Toronto. By 2005, that was reduced to 49%.[xxviii]

This same spread-the-wealth policy is also apparent in federal granting practices. ERA's analysis of support for projects by Telefilm and by the Canadian Television Fund shows a clear tendency to favour producers elsewhere in Canada over those centred in Toronto.[xxix]

In effect, the tax credit competition and spread-the-wealth policies have reduced the value of the public investment made in Toronto over the last 40 years.

Instead of supporting Toronto as a world-class centre of excellence, policies have begun to tear it down. If Toronto fails, the viability of the industry across the country will suffer.

Instead of supporting Toronto as a world-class centre of excellence, policies have begun to tear it down



the perfect storm

The removal of the tax shelter drove private financiers from the screen business

Toronto has been caught in the downdraft of globalization of the screen-based industry. No single event, or policy change, or competitor, not even the rise of the Canadian dollar, was sufficient by itself to cause the decline of the Toronto screen arts industry. But after 2002 they all came together with devastating effect.

Many countries, some in the former East Bloc, have latched onto the virtues of the screen arts industry as a means to enhance national identities and local branding and to bring in hard currency and investment. Countries as diverse as Poland, Romania, and the Czech Republic have built fledgling industries. Commonwealth partners such as South Africa, New Zealand and Australia compete with us for screen arts industry.

Almost all these new competitors offer lower costs, as well as the usual array of public incentives. There is a race to the bottom going on worldwide to establish Booniewoods around the globe. This is a race Toronto doesn't want to win.

Within North America our success has been successfully copied. Even though the provincial government raised the Ontario tax credit in 2005 to try and fend off the competition, the competition simply raised its credits higher. The race to the higher tax credit is another one we can't win.

The removal of the tax shelter drove private financiers from the screen business just as New Media producers were searching for risk capital. They have been financed by passing the hat to friends and family. This is an area where we want to encourage private investment because we have a huge advantage.

Spread-the-wealth policies put Toronto at a severe competitive disadvantage with the rest of the country. In addition, the CRTC's 1999 changes to the prime time and Canadian content rules drastically reduced demand for top quality Canadian dramas and created demand instead for low budget reality and lifestyle productions.

The long wait for payback of tax credits put Ontario producers at a competitive disadvantage, forcing them to take on onerous debt.

To recoup costs, producers across the country are forced to sell off intellectual property rights. The long-term earnings of any project go to whomever controls its intellectual property. When it is sold too early, it's sold cheaply, and the future is cut off.

Purpose-built studios everywhere but Toronto act as magnets to draw producers away from the City.

As other jurisdictions raised their tax credits above Ontario's, even Toronto producers took their projects elsewhere

To recount:

- Changing regulations have reduced demand for original Canadian content while the technology explosion has made it increasingly difficult to capture long-term content value.
- Ending the federal tax shelter drove away private investors: without tax shelter the risks of investing were too great.
- The tax credit system drove up borrowing costs.
- The tax credits without the tax shelter lead to a greater need for public grant support increasing bureaucratic drag on producers' nimbleness.
- Canada's monetary advantage shrank as Canada's international competitiveness rose. As the dollar began to rise, the benefits for foreign producers to work in Toronto fell.
- As other jurisdictions raised their tax credits above Ontario's, and Ontario itself made it smarter to shoot outside the Toronto Region than inside, even Toronto producers took their projects elsewhere.

our plan:

There is consensus in the screen-based industry that action is urgently needed to save a business into which three orders of government have invested millions of public dollars, and in which artists, crew members and producers have invested their lives.

Two major themes are clear: we need to invest public and private equity in Toronto's screen-based business, and we need to return to a regulatory system that creates demand and rewards investment in high quality Canadian productions.

Instead of driving business away from Toronto, all three orders of government along with the industry need to find ways to bring it back.

the actions

centre of excellence

Excel

1. Toronto should focus on becoming the English speaking world's foremost screen arts centre of excellence.
2. Governments must design and align policies and programs to support the enhanced sustainability of Toronto as the national centre of screen-based industry excellence.
3. Toronto must retool and demonstrate itself as the best place in the world to practise screen arts in the digital age.

4. The City must advocate for support from other orders of government to sustain Toronto as the English language centre of excellence for Canada's screen-based industry. Ontario has already branded Toronto as a centre of excellence for research and commercialization in life sciences: it should do the same for screen arts.

5. The City cannot fix federal monetary policy, but it can feature it as direct testimony to international confidence in Canada's rising prospects. Toronto should promote itself as the place where unique artistic, computational and networking excellence can be channelled by strong financial services into a globally competitive screen-based industry.

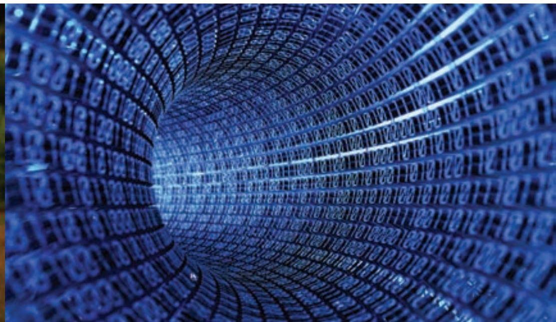
6. Toronto should market itself worldwide as the best location for purpose built, state-of-the-next-art studios able to accommodate $100+ million productions. The attributes of our diverse pool of trained professionals, specialists and experts, combined with graduates from eight major universities and community colleges, create a City of vibrancy and liveability that is unmatched by any other Creative City.

policy and tools

7. To attract high-end productions to Toronto, we must use planning tools and incentives to lure dedicated studio developments. Toronto has former industrial lands downtown that are ideal for this purpose and will keep our industry where we want it – concentrated in the City's centre.

Enable

8. Quebec's feature film industry has benefitted by zooming in on a wide audience. Quebec's domestic films claim 21.2%[xxx] of its domestic market. English Canada's offerings, by contrast, get only 1.6% of Canadian box office receipts. English Canada can do better. Major exhibitors should



be asked to dedicate more of their screens for Canadian films, and if persuasion fails, regulation should follow.

9. The CRTC must address the pernicious results of its 1999 policy shift. By reducing the requirement that broadcasters buy Canadian content, Canadian stories fell off public screens. Regulated demand can work again.

10. Ontario's tax credits and financial incentives must be re-crafted to make Toronto attractive to producers once more. New methods of support, modelled on those provided by SODEC and FIDEC in Quebec, should be developed.

11. The City must secure its industrial lands for industrial use, or the screen-based business will be pushed out of town to cheaper real estate.

12. The City and other orders of government need to shape financial tools and ensure access to capital to grow the new screen infrastructure needed to compete for quality productions. This should not be regarded as a cost to governments' bottom lines, but as an investment in our creative capacity.

13. The City should advocate to the provincial and federal governments that public policies must promote the concentration of industry, talent, and skills where they are best sustainable. Excellence at the leading edge of screen-based industry has already formed in Toronto. It's alive: don't kill it.

14. The television commercial business has undergone a precipitous decline which may be reversed by including commercials under tax credit systems, both federal and provincial.

Innovate

innovation and infrastructure

15. The future lies with digitized New Media. Toronto is strongly placed to compete. Those producers who have entered the business through film and television should be encouraged to partner with New Media specialists to aid their entry to new markets.
16. New Media specialists have much to learn from film and television producers about how to tell provocative and evocative stories. The City should create forums where partnerships may be formed and where the issues with regard to how to manage intellectual property in a borderless Web world can be addressed.
17. The City should reinforce the efforts made by the faculties and graduates of the area's eight major universities and community colleges to create new forms, techniques and methods that will ultimately further the screen industry.
18. A national effort, with appropriate policy and regulatory support, has to be undertaken to build local and international audiences for Canadian products.

the final analysis

Toronto, as the site of the most well-articulated screen-based industry in the country, is in the best position of any, to lead the way toward the multi-platform future. If we do it right, Toronto - not New York, Los Angeles, or London - will be the leading centre of the new digital age.



footnotes

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ii. Toronto Film & Television Office

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iv. City of Toronto, Staff Report to the Policy and Finance Committee, September 14, 2005, "Film Industry: Available and Suitable Space", Attachment 4: Table 2 – A Comparison of Warehouse Facilities Available in 2001 and 2005

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vii. City of Toronto, Culture Plan for a Creative City, Toronto, 2003, p. 8

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xii. ERA, "Strategic Plan for the Screen-Based Entertainment Production Industry", Toronto, January, 2007, p. 25, fig. 3

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xv. Toronto Film & Television Office

xvi. ibid

xvii. ibid

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xx. Toronto City Council, November 30, December 1 and 2, 2004, Consolidated Clause 2, "Plan to Maximize the Potential of the City of Toronto's Toronto Film, Television and Commercial Production Industry" (Policy and Finance Committee Report 9)

xxi. ERA Strategic Plan, May, 2005, p. 188

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xxiv. The City of New York Mayor's Office of Film, Theatre and Broadcasting, New York City Film Statistics, http://www.nyc.gov/html/film/html/statistics/stats.shtml

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xxvi. PricewaterhouseCoopers, Economic Study, pp. 19-20

xxvii. ERA, Strategic Plan, January, 2007, p. 33

xxviii. Toronto Film & Television Office and Ontario Media Development Corporation (OMDC), annual statistics

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xxx. CFTPA, Profile 2006, An Economic Report on the Canadian Film and Television Production Industry, Gatineau, 2006, p. 38

photo credits

Page 5:

(L) Director Richard Donner, Bruce Willis and Mos Def on the set of Alcon Entertainment and Millennium Films' 16 Blocks, distributed by Warner Bros. Pictures. Photographer: Barry Wetcher.
(R) Allen Coulter (right) directs Adrien Brody (left) in Hollywoodland, a Focus Features release. Photographer: George Kraychyk.

Page 7:

(L) Image from Chicago. Photographer: Rafy.
(R) Image from Chicago. Photographer: Rafy.

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(L) Director Tim Fywell, Kim Cattrall on set of Ice Princess ©Disney Enterprises, Inc, All Rights Reserved. Photo Credit: Rafy.
(C) FILMPORT, photographer: Tom Sandler.
(R) King © 2004 King Russell Productions 2 Inc.

Page 13:

(L) Atom Egoyan on the set of Where The Truth Lies. Director: Atom Egoyan. Producer: Robert Lantos, Photo Credit: Rafy.

(C) Planet Sketch © 2007 Aardman Animations Limited/DECODE/Sketch Productions 2 Inc.
(R) Logan/Keegan Hoover (left), Vin Diesel (center), Seth Howard (right) on set of The Pacifier © 2005 Disney Enterprises, Inc. All Rights Reserved. Photo Credit: Kerry Hayes/SMPSP.

Page 15:
(L)Image from Silent Hill. Photographer: Rafy
(R) Image from Silent Hill. Photographer: Rafy

Page 19:
(L)Image from Instant Star, Epitome Pictures Inc. distributed by Alliance Atlantis. Photographer: Stephen Scott.
(R)City of Toronto.

Page 21:
(L) Image from Degrassi: The Next Generation, Epitome Pictures Inc. distributed by Alliance Atlantis. Photographer: Stephen Scott.
(R) Antonio Banderas stars as "Pierre Dulaine," in New Line Cinema's Take the Lead. Photo: ©2006 Kerry Hayes / New Line Productions.

Page 23:
(L) Planet Sketch © 2007 Aardman Animations Limited/DECODE/Sketch Productions 2 Inc.
(R) Drew Barrymore and Jimmy Fallon star in Fever Pitch. Photo Credit: Darren Michaels.

Page 25:
(L) Image from Degrassi: The Next Generation, Epitome Pictures Inc. distributed by Alliance Atlantis. Photographer: Stephen Scott.
(R)Director Tim Fywell, Producer Bridget Johnson on set of Ice Princess ©Disney Enterprises, Inc, All Rights Reserved. Photo Credit: Rafy.

Page 29:
(L) Actors Deanne Bray and Yannick Bisson. show "Sue Thomas: F.B. Eye". Photographer: Peter Stranks
(R) FILMPORT, photographer: Tom Sandler.

Page 31:
(L) Allen Coulter (center) on the set of Hollywoodland, a Focus Features release. Photographer: George Kraychyk.
(R) Image from Silent Hill. Photographer: Rafy.

www.toronto.ca/tfto/strategy

Toronto unlimited

Design: Toronto Creative Services 07-353

Strategic Plan for Toronto’s Screen-based Industry

Presentation by:
Susan Murdoch, Producer
Co-Chair Toronto Film Board

September 4, 2007

Toronto Film Board

- Created in 2004 in recognition of the importance of the film, television and commercial production industry

- 2007 mandate to:
  - conduct strategic planning
  - provide advice and direction to City Council
  - give the City and industry a stronger voice
  - ensure the sustainability and growth of the industry

- Presenting this strategy to:
  - raise awareness of the crisis in the industry
  - direct the actions of the City of Toronto and Film Board
  - engage the industry
  - identify issues for the other orders of government and provincial and national agencies, associations and bodies

Analysis and Assessment of Industry

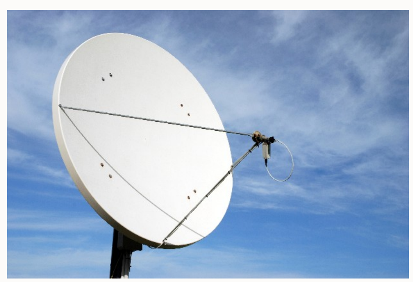
- Commissioned *Economics Research Associates* to:
  - assess a wide range of data and reports
    - Canadian Film and Television Production Association
    - FilmOntario
    - Canadian Television Fund
    - Canadian Audio-visual Certification Office
    - Motion Picture Association of America
  - interview 100 key stakeholders
  - conduct targeted on-line survey of workforce (463 replies)

Definition: Screen-based Industry

- The inclusive term covers all forms of art and entertainment created for use or display on video screens ranging in size from iPods, cell phones and gaming devices to traditional theatre screens and the giant IMAX display

- Products range from fully computer generated and digitally created to captured live on film



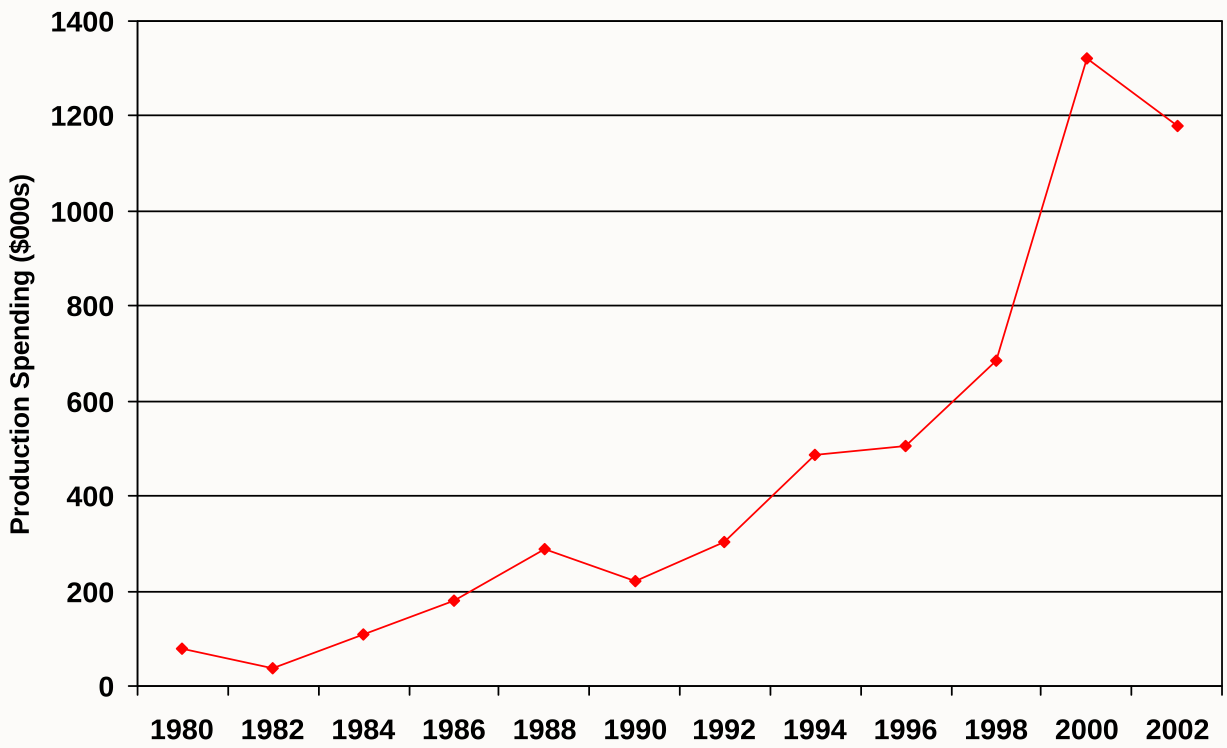


Findings: Industry reinvention

- A paradigm shift is underway re-making screen- based entertainment and arts
- For competitiveness: technological innovations and technical services have become almost as significant a contributor to the industry as scripts, actors, directors and studios
- Previous relationships between creators, audiences and distributors are fundamentally changing
- New technologies, platforms and means of distribution and exhibition are reshaping the global reality
- Toronto has the most fully articulated industry in Canada and is perfectly positioned to lead in the digital age

Summary of Spending 1980 - 2002

Total Budget* - Major Productions, Commercials, Music Videos, Animation

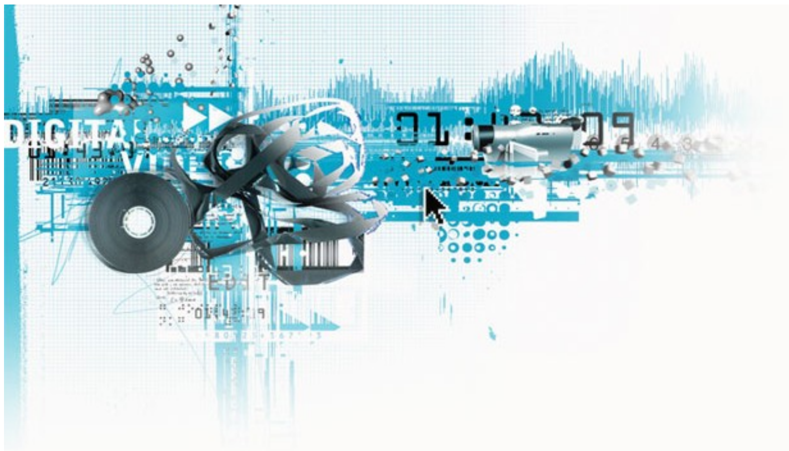


* It is also estimated that more than $320 million was spent in Toronto on “Broadcaster in-house” productions in 2000

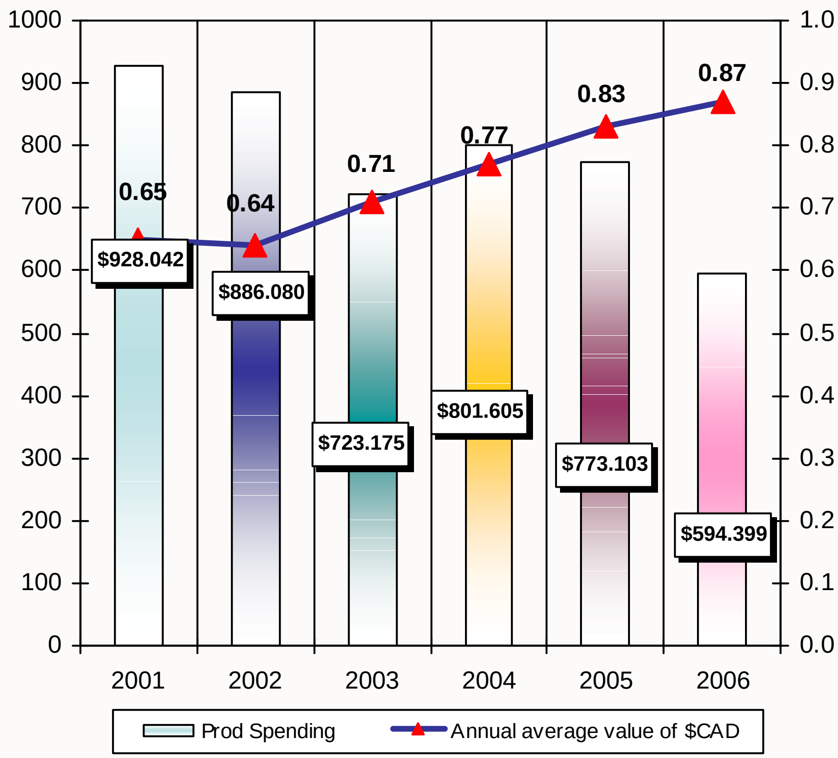
Findings:
Best of the best

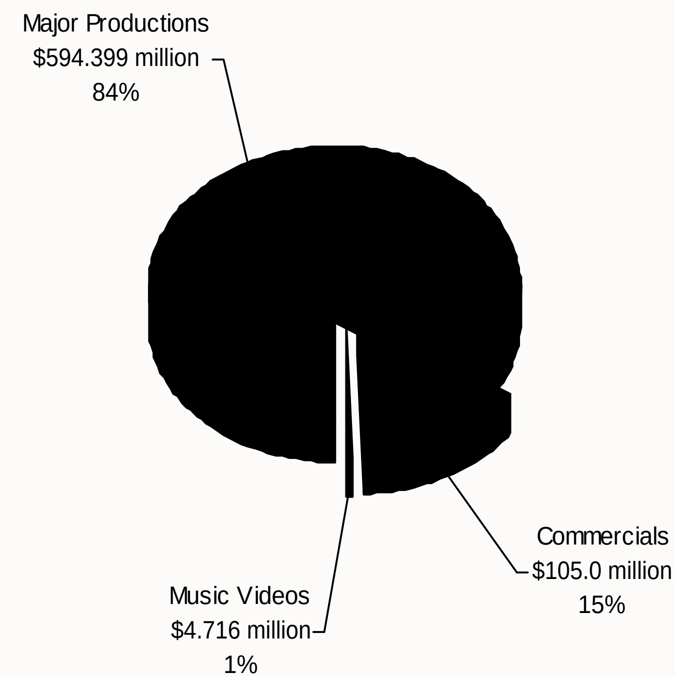
By 2003 Toronto was:

- English Canada's centre of excellence
- 3rd largest screen-based industry centre in N.A.
- Average annual contribution to the economy of $1 billion
- Hub for production of film, television programs & commercials, animation, music video
- 27,000 full-time employees and tens of thousands working part-time to support the industry
- 1/3 of the Canadian workforce in the industry
- Approximately 1 million square feet of production space
- Great crews, talent, producers, directors and services



Total Spending 2001 - 2006





Findings: A Crisis Today

Since 2003:

- Total production spending down from $1.2 billion to $700 million (-42%)
- Spending on Features down 35%
- Commercial production has fallen off by 65%
- Toronto’s share of foreign film activity in Canada has dropped from more than 30% to 9%
- Ontario/Toronto based companies are making approximately 1/3 of their expenditures outside of the Province
- Toronto based filming has dropped from 84% of the Ontario total to below 50%
- The development of infrastructure has not kept pace with the market
- Loss of competitive edge, delayed response to new initiatives

Findings: Major Contributors to the fall

- Ill-conceived and/or unadjusted public policies by government and government agencies
  - spread the wealth
  - regional bonuses
  - CRTC policy shift
- Intense increase in international and domestic competition
  - superior tax credits and financial incentives
  - growing expertise, ability and capacity
- Rising Canadian dollar

Recommendations

Two major themes:

- Invest public resources and private know-how and equity
- Return to a regulatory system that creates demand and rewards investment in high-quality Canadian productions

18 Recommendations – 3 categories

- Excel - regenerate the centre of excellence
- Enable – ensure the policies and financial tools required
- Innovate – encourage new thinking and integration; facilitate development of a full array of infrastructure and new models for financing, distribution and display

Specifically for Toronto

- Gain a voice in policy discussion and decisions at every level
- Articulate and communicate the importance of the Toronto industry to Ontario and Canada
- Highlight the critical importance of and build the domestic industry
- Accelerate the adjustment to a wider group of products and methods of production, distribution and display
- Assist with the creation of new models of financing
- Facilitate the dialogue between the traditional film & television sector and new media
- Work with educational institutions and the industry to build the best training and educational programs
- Use its planning tools to facilitate the development of infrastructure
- Market itself as the place to create and produce for the full range of screen-based industries
- Ensure the alignment of policies, procedures and practices to support the industry

Conclusions

- The industry has everything needed to be a global leader
- Screen-arts and entertainment industry provide the value-added jobs of the future
- Must act quickly – governments, agencies, associations and the industry
- If Toronto fails, the viability of the industry in Ontario and across Canada will suffer
- If we do it right, Toronto, not New York, Los Angeles or London can be the English-language leading centre of the digital age

Thank you for your time and attention today. The industry is appreciative of the support you have shown in the past. We look forward to your support of this strategy and a strengthened partnership for the future.