

The New Brunswick Film Industry Report

March 2015

Table of Contents

Membres de l'équipe d'examen de l'industrie cinématographiqueError! Bookmark not defined.

1.0 Executive Summary	4
2.0 Introduction to the Film Industry in Canada.....	5
2.1 Size of the Film industry in Canada and New Brunswick.....	5
2.2 Global funding model for the industry.....	5
3.0 Current State of the New Brunswick Film Industry	7
3.1 Background	7
3.2 Current Situation.....	8
4.0 Economic Impact of the Film Industry in New Brunswick.....	9
4.1 Financial Perspective.....	9
4.2 Leveraging Investments	10
4.3 Labour	11
4.4 Contribution of Individual production projects/genres.....	12
5.0 Public Good Impact of the Film Industry in New Brunswick.....	14
5.1 Cultural Identity	14
5.2 Youth Retention and Employment	15
5.3 Maximizing New Brunswick's Labour Force.....	15
5.4 Economic Diversity.....	15
5.5 Tourism and Marketing Impact.....	16
5.6 Quality of Life	16
6.0 Jurisdictional Scan Summary (See Appendix D for detailed scan).....	17
7.0 General Industry Trends and Growth Opportunities	19
8.0 Industry Consultation Feedback.....	21
Bibliography and References.....	23
Appendix A.....	24
Appendix B.....	25
Appendix C.....	27
Economic Impact of the New Brunswick Film Production Industry	27
Appendix D.....	59
Jurisdictional Scan - Provincial Funding Agencies	59
Appendix E	65
Description and Public Sector Accounting Treatment of Tax Credits	65
Appendix F	66
List of all parties consulted	66

Film Industry Review Team Members

Department of Tourism, Heritage and Culture

Sandra Jamieson	Project Co-Lead
Adam Lordon	Project Co-Lead
Ghislain Labbé	Senior Industry Officer
Bunthivy Nou	Project Officer
Brigitte Donald	Senior Policy Analyst
Jane Matthews-Clark	Senior Advisor

The Department of Finance provided input on the economic impact analysis and refundable tax credit components of this report.

1.0 Executive Summary

The Film, Television and Multimedia Industry (Film Industry) in New Brunswick currently faces paralyzing uncertainty and instability created by insufficient financial allotments established in 2011.

In order to properly assess and respond to the situation at hand, this report was commissioned to provide a detailed look at the industry and its economic and public good impacts on the province. To date, the total impact of the film industry has been largely unrecognized, because until now, a report on its overall impact has never been undertaken.

To support the work of the Film Industry Review Team, a comprehensive economic impact study has been prepared for Media NB by David Campbell of Jupia Consultants Inc. and is referenced throughout this report and included as an appendix. Extensive consultations on the challenges faced and on how best to move forward were also conducted with New Brunswick Producers and other stakeholders to ensure their voice was heard throughout the review.

Throughout the process, several areas with high growth potential have been identified and should be studied further.

2.0 Introduction to the Film Industry in Canada

2.1 Size of the Film industry in Canada and New Brunswick

According to the *Profile 2013, Economic Report on the Screen-based Media Production Industry in Canada*, the total volume of film and television production in Canada is \$5.8 billion. New Brunswick productions account for less than 1% of the Canadian production volume with Ontario being the biggest player at 41%, British Columbia at 28% and Quebec at 24%. All other provinces account for the remaining 7% of total productions. [2]

As David Campbell's report states:

New Brunswick's film, video and animation industry is small relative to other provinces in Canada. According to provincial government statistics, the total value of production over the three years 2012-2013 to 2014-2015 averaged \$14.9 million per year. This was down from an average of \$24.6 million between 2007-2008 and 2010-2011. This mirrored the national industry which was hit by the expansion of tax credit and other incentive programs in the United States as well as the relatively high value of the Canadian dollar during the period.

The biggest years for film and video production in New Brunswick were in the 1999-2000 to 2002-2003 years when the average production value was \$28.9 million. The industry has a fairly good track record for generating economic value within New Brunswick. According to Statistics Canada multiplier data, the motion picture and video production sector in the province (NAICS 5121) generates 72.4 cents worth of gross domestic product in the province for every dollar worth of industry output.[3]

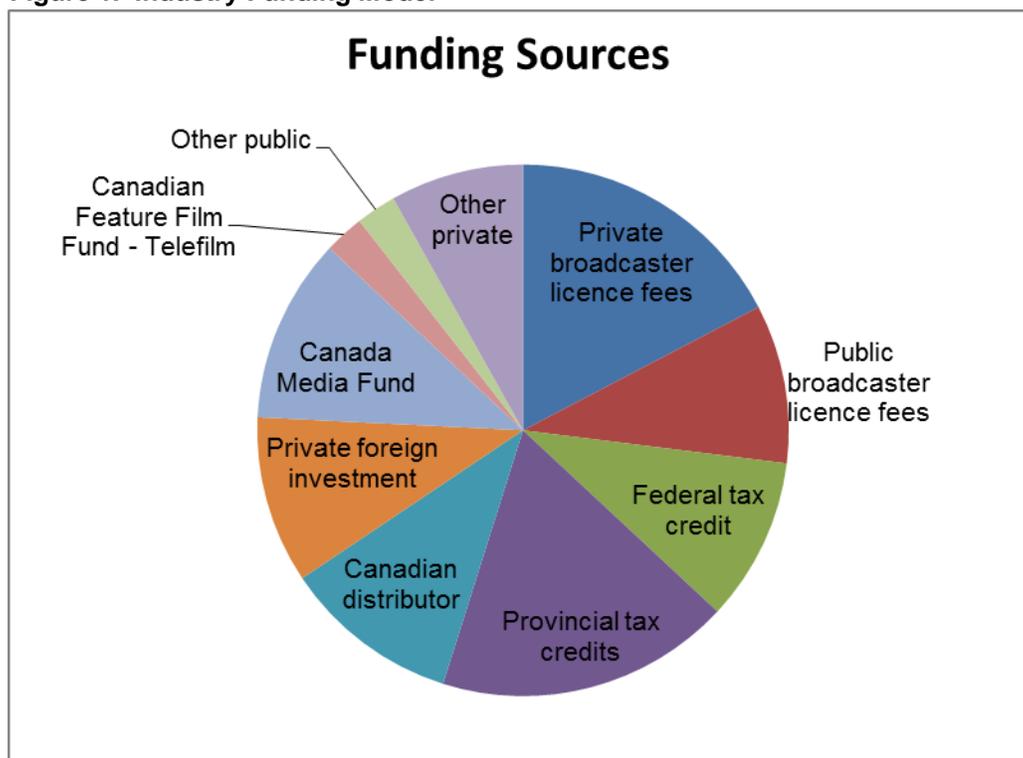
Please refer to Appendix A – GNB Investments and Related Production Levels from 1996-2015.

2.2 Global funding model for the industry

Across all jurisdictions, film and television production is supported through a combination of internal and external funding sources. The provincial contribution represents, on average, between 20-30% of a total production budget, which means that approximately 70-80% of the funding is leveraged through external sources, federal government programs and private investments.

Table 1.		2012-13
Canadian 2012-13 Funding Breakdown		
Private broadcaster licence fees		17%
Public broadcaster licence fees		10%
Federal tax credit		10%
Provincial tax credits		18%
Canadian distributor		11%
Private foreign investment		10%
Canada Media Fund		11%
Canadian Feature Film Fund - Telefilm		2%
Other public		2%
Other private		8%
Total		100%
Private investment	57%	
Public investment	43%	

Figure 1. Industry Funding Model



3.0 Current State of the New Brunswick Film Industry

3.1 Background

1996:

- The film industry and an associated stakeholder organization (NB Producers Association) were established.
- Government support to the industry (NB Film) was established.
- Since its inception, a variety of programs and financial support models have been in place for varying periods of time.
- The New Brunswick Film Tax Credit was introduced in order to encourage the training and hiring of labor. The tax credit was refundable and amounted to 40% of eligible wages and salaries paid to New Brunswick residents.
- NB Film managed all industry-related support programs. Industry support has always been under a government department.

1997-2001:

- An on-the-job-training program was established to mentor those seeking employment in the film industry. The initiative was supported by the Department of Post-secondary Education, Training and Labour but the program was phased out by 2001 due to lack of funds.

1998:

- The first taskforce was established to review the industry structure, strategic direction, initiate plans to develop crew base, and identify and address staffing support needs.

2009:

- Changes were made to NB Film programs: the film tax credit was extended to a 10-year program; a regional bonus of 10% was established to encourage shooting in rural regions;
- NB Film was moved from Business NB (BNB) to Wellness, Culture and Sport (WCS). Staffing and budget reassignments were made.

2011:

- The Province of New Brunswick eliminated the film tax credit and loan/investment programs. As a result, members of the film industry began working together to present recommendations to government for sustaining the industry. The report was presented in October 2011.

November 2011:

- The New Brunswick Multimedia Initiative was announced - funding up to 25-30% of eligible expenditures incurred in New Brunswick; 50% of funding upon signing of the contract and 50% following completion;
- The program was administered through Tourism, Heritage and Culture (THC), with funding administered by RDC primarily through its Total development Fund (TDF).

3.2 Current Situation

The industry is presently recovering from a down period following the elimination of the tax credit and of the loan/investment programs in March 2011. A general industry growth is anticipated due to increased demand for content across numerous platforms.

In 2012, close to \$2.2 million was invested through the NB Multimedia Initiative which seemed to respond to industry needs for that period.

In 2013, government-wide budget compressions resulted in less funding being available, leading to the requirement to defer some projects from fiscal 2013 to 2014. This created a backlog of projects, placing an even greater strain on available monies for 2014. The situation was further compounded in 2014, resulting in another backlog of projects being pushed to fiscal 2015.

The lack of dedicated funding continues to perpetuate problems and creates instability within the film industry. This instability has increased anxiety for producers who are unsure of the status of their projects, or whether or not they will receive funding at all. This lack of dedicated funding also has ramifications for other stakeholders, including broadcasters, federal agencies, private funders and financial institutions, which are also part of the funding structure. (Refer to Appendix B for the list of industry stakeholders and funding partner agencies)

It was recently announced that THC is not currently in a position to accept new project applications for 2015-2016 pending the development and implementation of a new approach.

Funding continues to be available from national sources such as Telefilm and the Canada Media Fund, however without provincial partner program funds, producers will face a significant challenge in financing their respective projects.

A long-term solution is required to provide stability to this industry. In order to encourage stability, development and growth, the solution will need to include a dedicated program and support services.

Lack of government investment at industry standard levels will result in the demise of the industry in New Brunswick; most local producers will either close down or move to another province.

4.0 Economic Impact of the Film Industry in New Brunswick

4.1 Financial Perspective

NOTE: For the report provided by David Campbell, Jupia Consultants Inc. to media NB (Appendix C): The economic impact review in this report is based on Statistics Canada data and covers motion picture and video industries only (NAICS 5121) which include firms that are primarily focused on the creation of film and video productions. There are other firms that would fall under a broader definition of the film, video and animation sector that are not included in the analysis. For example, firms that develop television commercials, corporate videos, etc. might be classified by Statistics Canada in *NAICS 5418 - advertising, public relations, and related services* which is a \$24 million industry in New Brunswick. A firm involved in animation production may be classified under *NAICS 5112 - software publishers*, which is a \$70 million industry in New Brunswick. In addition, six of New Brunswick's film, video and animation firms provided detailed information on their sources of funds, employment, supply chain spending and markets. These six are a reflection of the industry in the province.

For a provincial investment of approximately \$3.1M, New Brunswick's film production sector generated an estimated \$10.4 million worth of direct and supply chain output in 2013. With induced economic effects, the total output increased to \$12 million.

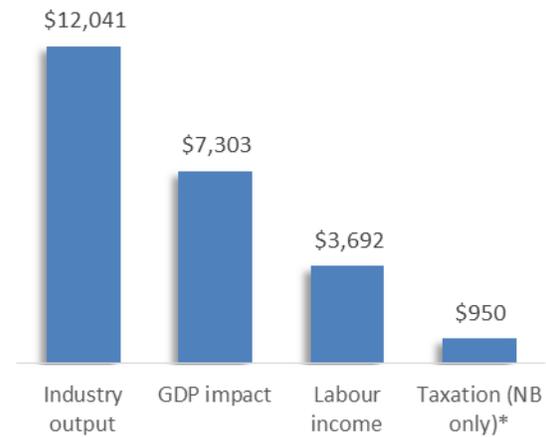
This economic activity boosted provincial gross domestic product (GDP) by an estimated \$7.3 million, supported \$3.7 million worth of labour income and generated 162 full time equivalent (FTE) jobs.

Note: The total number of people working in the industry is actually higher but the economic impact model is expressed in terms of full time equivalents.

The industry also generated an estimated \$950,000 worth of tax revenue to provincial and local governments, an amount equivalent to 13% of the industry's GDP impact.

The film and video production industry is not currently generating a tax-based return on New Brunswick government investment. However, there are ways to boost the NB taxes generated by the industry and other ways to measure value from the investment (such as social and cultural benefits).

Figure 2: Total economic impact in New Brunswick – 2013 (\$000s)
Motion picture and video industries



**Provincial and local taxes only.*

Source: Statistics Canada.

It is interesting to note that there is not as much output ‘leakage’ as might be anticipated given the size of the industry. An estimated 74% of the output generated from the industry occurred inside the province. 75% of the direct and supply chain labour income remained in the province. At the micro-analysis level, the six production firms interviewed for this report indicated that 86% of supply chain spending occurred in New Brunswick.

Over the last 20 years or so, direct and indirect spending in the film industry averaged approximately \$22 million per year. The total economic impact of this level of production translated into \$15 million in gross domestic product and supported an estimated 340 jobs. In recent years the level of film production in the province has declined to an estimated \$10.4 million worth of direct and supply chain output in 2013. With induced economic effects, the total output increased to \$12 million. (*Department of Finance*)

4.2 Leveraging Investments

The film and video production industry in New Brunswick leverages considerable external investment. Over the past three years, \$35.9 million in external funding was brought in to finance New Brunswick-based productions. In excess of \$21 million of that funding was spent in the province, illustrated in the table below.

**Production Expenditures and Related External Funding Leverage Under the NB
Multimedia Initiative 2012-2015**

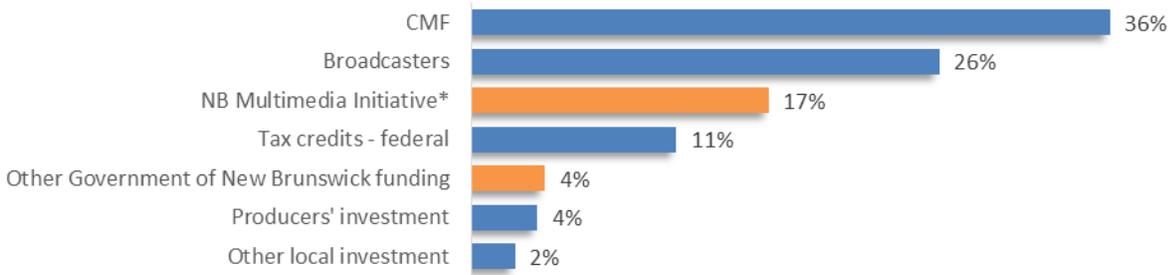
	Production Costs	NB Funding **	External Funds Leveraged	% of NB Funding	NB Spend	% of NB production costs spent in NB	Amount of External Funds spent in NB	Leverage %
2012-2013	\$15,607,681	\$3,011,325	\$12,596,356	19%	\$10,706,238	69%	\$7,694,913	72%
2013-2014	\$15,016,666	\$3,119,808	\$11,896,858	21%	\$10,677,191	71%	\$7,557,383	71%
2014-2015	\$13,835,301	\$2,418,359	\$11,416,942	17%	\$ 8,062,709	58%	\$5,644,350	70%

Fluctuations in the New Brunswick spend are mostly related to higher levels of expenditures incurred outside of the province when producing documentaries.

** New Brunswick funding represents commitments for the fiscal year and not the actual cash flow.

Over the same three-year period, the six firms surveyed raised over \$25 million in funding. The breakdown of this funding is shown in Figure 3. The Canada Media Fund (CMF) is the top source of funding, accounting for 36% of the total followed by broadcasters at 26%. New Brunswick benefitted particularly from the CMF funds allocated for Francophone productions outside Quebec. The New Brunswick government was the source of 21% of total funding over the three-year period.

Figure 3: Breakdown of film and video funding sources (2012-2014)



It is important to point out that nearly 80% of all funding comes from outside GNB.

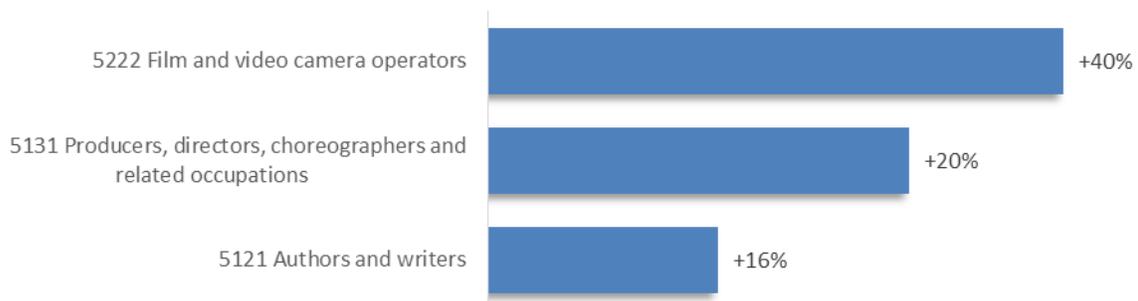
The New Brunswick film and video production industry relies on higher levels of government subsidies than other provinces largely due to the current types of production occurring here. Commercial and corporate projects, service productions and video and animation production work are higher in other provinces and represent a segment of the industry that is typically not as reliant on government subsidies. They also boost the talent pool available.

4.3 Labour

The film and video production workforce, as defined by Statistics Canada and reported in the 2011 National Household Survey includes approximately 400 workers around the province. Many of the occupations in the industry offer good wages including film and video camera operators which earn a 40% median income premium over the average in New Brunswick

Figure 4: Annual creative employment income premium: Selected occupations (2011)

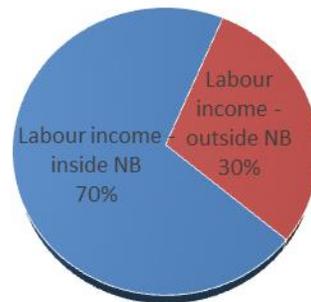
Median income premium compared to the overall average for full time, full year workers in New Brunswick



The six firms reporting had a combined 31 full time staff complement and bring in over 200 contract workers more each year on a project-by-project basis. Additionally, one of the firms that is currently in project development mode would normally hire upwards of 150 people per feature film project.

In an average year over the past three years, these firms collectively spent \$4.6 million on labour (or 44% of total costs). 70% of the wages and salaries accrue to workers that live in New Brunswick and 30% to those outside. TV series and feature film projects tend to rely more heavily on external labour, as many are done in co-production.

Figure 5: Labour income distribution for the 6 firms surveyed (in-province versus external)



Source: Survey of six NB production firms (February 2015).

As a rule, the relatively limited New Brunswick-based workforce for the industry means that producers need to go outside the province to access certain talents and skills. Given the size and structure of the New Brunswick film and video production industry, the fact that these six firms have demonstrated an NB retention level of 70% of the labour income is a solid result.

Another point not captured in this analysis is that there are a number of New Brunswick based film and video production industry workers who are currently living in the province but generate at least some of their revenue by working in other jurisdictions. This income is earned elsewhere but spent and taxed in New Brunswick. If we are able to grow the industry in the years ahead, this ability of workers to generate income outside the province is positive as it leads to a larger pool of talent in the province and boosts overall income levels.

4.4 Contribution of Individual production projects/genres

In addition to the overall economic review of the six firms, a number of specific productions were analyzed to provide observations as to which types of project generate higher value for the industry.

**Breakdown of industry revenue by these 6 firms by type of production
(three year totals 2012-2015)**

	3 year totals of 6 firms	NB % of total by genre
Feature films	\$2,532,000	8%
Documentaries	\$7,836,632	25%
TV series including variety	\$16,604,651	53%
Commercials and corporate work (including animation)	\$3,271,866	10%
Other – shorts, new media	\$1,054,841	3%
Totals	\$31,299,990	

Additional conclusions were observed:

- New Brunswick has established itself as a solid, niche player in Francophone documentary and television programming. This segment benefits from the \$12 million CMF program in support of Francophone productions outside Quebec. There is some potential for growth in this area – additional leveraging of co-productions with Quebec.
- New Brunswick also has a reputation for developing quality one-off documentaries. This segment is attractive as it normally uses only New Brunswick talent and supply chains, and often highlights New Brunswick culture.
- Projects that speak to social causes or lifestyle/factual topics with broad appeal, have a wide potential for international distribution.
- Feature films and scripted series have the potential to generate significant levels of employment, sometimes employing a few hundred people per project.
- The commercial/corporate production component of the industry is growing and there are ways for New Brunswick to take advantage of emerging opportunities.
- The industry does not currently have the capacity to attract service productions.

5.0 Public Good Impact of the Film Industry in New Brunswick

The United Nations sums up the connection between the social, cultural and economic benefits of creative industries in saying: *The creative industries that use resources [inherent in arts and culture] not only enable countries and regions to tell their own stories and to project their own unique cultural identities to themselves and to the world but they also provide these countries with a source of economic growth, employment creation and increased participation in the global economy. At the same time, the creative economy promotes social inclusion, cultural diversity, and human development (2010).* [4]

Source: *The Creative Economy: Key Concepts and Literature Review Highlights, May 2013, Creative Economy Working Group.*

Culture is multifaceted with both tangible and intangible benefits, making it a challenge to quantify its full impact.

A robust and sustainable cultural industry can respond to some of the key priorities for New Brunswick, such as job creation and societal wellness, which are essential for a vibrant and competitive province.

Cultural industries, including the film industry, provide benefits beyond economics, such as a sense of pride and identity and increased awareness of New Brunswick and its artists.

Mission: "The government of New Brunswick will ensure our culture is conserved, strengthened and fostered for the common good. We will set in motion a creative, innovative and prosperous New Brunswick where people want to live, work, visit, play, thrive, create and contribute to society." [6]

Creative Futures, New Brunswick Cultural Policy 2014 - 2019

Recent studies have linked the arts and culture and the creative sectors to positive impacts in the areas of employment growth, social inclusion, literacy, wellness, youth retention, diversity, education, the environment and even positive health outcomes. [5]

Source: *Growing Canada's Creative Economy Together - A Discussion Paper by the Creative Economy Working Group by The Federal-Provincial-Territorial Table on Culture and Heritage July 2013*

5.1 Cultural Identity

One way to build upon and reinforce our cultural identity is to have it be reflected on the screen. Film productions have the capacity to tell our stories.

As the world becomes increasingly globalized, the content that is created and exported can serve as a window for people from around the world to see our stories, our environment, our people and in turn, experience a piece of our culture. This helps to strengthen New Brunswick's cultural identity from inside and outside the province.

"Movies are a form of communication and that communication, those stories, come from societies - not just where society is presently and what it's doing now – but where society has been.... Movies can educate too. They tell us things we never could have known. They tell us things we might not know, and they give us a way to explore the past, the present and the future." [7]

- Tom Sherak, past president of the Academy of Motion Picture Arts and Sciences. (Source: [The Role of Film in Society, June](#) ...)

5.2 Youth Retention and Employment

One of the greatest challenges faced by the province today is the exodus of our young people for employment in other provinces. Youth retention is critical in helping the province address its aging population.

According to a [2014 report from CBC](#), New Brunswick and Nova Scotia are now tied for having the second-oldest population of any jurisdiction in Canada or the United States, trailing only Florida. [8]

Investing in the creative economy can address youth retention. This was reiterated in the 2009 ["Building the Creative Economy in Nova Scotia"](#) report that stated: "...there is evidence that the increased recreation and employment opportunities associated with the creative economy appeal to the youth demographic." [9]

One of the goals set out in the 2014 [Creative Futures: A Renewed Cultural Policy for New Brunswick](#) is to "*Promote the cultural sector as a viable career option for youth.*" By continuing to support the film and television industry with a long-term and sustainable program, government will repatriate, retain and attract youth.

5.3 Maximizing New Brunswick's Labour Force

Most cultural work is part-time, non-traditional and contract. The film and television sector can help to fill the employment gaps for partial and seasonal workers, thus utilizing their full skills and potential. This will result in maximizing our labour force in New Brunswick.

According to the 2013 report "*The Creative Economy: Key Concepts and Literature Review Highlights*", "The creative industries are both knowledge intensive, requiring specific skills and high level qualifications, and labour intensive (such as the theatre or film industry) where high creative output occurs." [4]

5.4 Economic Diversity

A diversified economy protects the province from being too reliant on any one industry and creates employment opportunities for residents with skills and interests in other areas.

"People employed in the creative sector account for nearly 30% of the workforce in developed countries, double what it was twenty years ago, and an increase tenfold from the turn of the last century (*Conference Board of Canada 2008*) [10]. In New Brunswick, however, the cultural sector's estimated direct contribution to the provincial GDP is around 2.5% annually and the sector directly employs only 1.8% of the overall provincial labour force." (*Econometric Study for GNB 2009*) [11]

This shows that New Brunswick has not maintained similar levels of growth with other jurisdictions in taking advantage of these emerging economies. It also illustrates the incredible growth potential for film production and other creative industries in our province.

5.5 Tourism and Marketing Impact

Film and television series can contribute to creating tourism awareness in both internal and external markets and can also generate an influx of revenue and economic activity for these venues or in these regions during production periods. For example the 2013 film *Copperhead* spent \$3.1 Million at King's Landing and in Fredericton, creating a significant impact.

A film production can induce *media generated content* or publicity about a project which can include broadcast, print, and online coverage of the destinations and locations used in the New Brunswick shoot. This kind of publicity can, in turn, help the province raise its profile nationally and internationally at no additional marketing cost. To best leverage this opportunity, Tourism, Heritage and Culture should provide the Tourism Branch with up-to-date information relating to productions occurring in the Province.

5.6 Quality of Life

Strengthening our creative economy can result in improved quality of life through education, raising awareness and contributing to liveability.

According to a 2008 report published by Arts Victoria, *The Role of Arts and Culture in Liveability and Competitiveness*: "*Arts and culture contribute directly to 'liveability', in particular through vibrant and diverse activities, such as cultural events and celebrations. Liveability attracts new residents – in particular, the 'creative class' – as well as business investment. **There is increasing evidence that arts and culture make a positive contribution to the liveability of city or region, and hence to its competitive advantage.***" [12]

Links between arts and education have also been made. According to *The Creative Economy: Key Concepts and Literature Review Highlights, May 2013*: "*In schools, the role of arts and culture in forming the social attitudes and behaviour of children is well recognized and in the realm of adult education it can be used to enhance the understanding of society and how it functions.*" [4]

Arts and culture also play an important role in raising awareness and knowledge which can lead to public engagement, behavioural change, as well as policy changes. Findings from Hot Doc's report "[*Documentary Impact: Social Change Through Storytelling*](#)" states that: "*Documentary film, coupled with a well-executed social impact strategy, can have substantial impact on social change... Story and culture operate in poetic and unpredictable ways. This is where filmmakers, teamed with sharp strategists and activists, can use film to encourage us to think differently, act differently and make the world anew.*" [13]

6.0 Jurisdictional Scan Summary (See Appendix D for detailed scan)

NOTE: All nine (9) provinces that support the film industry have a primary film funding program that will refund a determined percentage of dollars spent on either a) local labour or b) all money spent in the province. These primary funding programs are typically administered as either a) a Refundable Tax Credit (with a Budget Line Item) or B) an incentive grant. Many provinces have maintained “Tax Credit Programs” even though changes in public sector professional accounting standards in 2012 require that Refundable Tax Credits must now be reported against a departmental budget line item, in the same way as a grant, effectively making them the same thing (refer to **Appendix E** for details).

Following is a summary of the Canadian jurisdictional report provided in the Appendix D.

Refundable Tax Credit Programs (with budget line item):

- Six (NS, NL, ON, MB, QC, BC) provinces offer a traditional labour incentive tax credit program; One (1 - MB) province offers the option of a tax credit based on amount spent within their province;
- The three (3) largest production provinces (BC, ON, QC) have a distinctive labour tax credit program for service productions (foreign companies producing within their province).

Refundable Tax Credit (with budget line item) for New Media Productions:

- Four (4 – NS, ON, MB, QC) provinces offer a specific tax credit program for new media productions (animation, digital media products, gaming).

Grants:

- Three (3 – NB, AB, SK) provinces have financial participation in the form of a grant representing a percentage of the amount spent in their province.

Further to a primary funding program, most provinces provide additional support through secondary programs including:

Development Loan Programs:

- All provinces have a development loan program;
- Three (3 – SK, AB, BC) provinces have a non-repayable development loan program;
- Three (3 – SK, MB, AB) provinces have a pre-development loan program;
- Eight (8 – All but BC) provinces have a maximum (cap) on funds available, either per project, per year, per company or a combination of these.

Equity Investment Programs:

- Four (4 – NS, NL, MB, QC) provinces have an Equity Investment Program;
- One province (Ontario) has an ‘extraordinary’ Equity Investment Program to help finalize the financing of projects;
- These five (5) provinces have a maximum (cap) on Equity amount available per genre of production;
- These five (5) provinces’ Equity Investment is recoupable, according to Canada Media Fund or Telefilm Canada’s recoupment schedule.

Other Programs – Grants:

- All provinces have various other incentives not directly related to production, to support the development of their industry;
- These programs/grants include support for travel assistance, market development, professional development, training, marketing and distribution, strategic initiatives, short film production, interactive media development and an arts innovation fund.

7.0 General Industry Trends and Growth Opportunities

The film and new media industry is constantly evolving, and at present new technologies are shifting the landscape even more dramatically than usual. In the years ahead, how we consume media output will shift, but the demand for content will not diminish, in fact there will be significant opportunities for content creators who can adapt.

Here are a few emerging industry trends that will impact the Canadian industry and how these opportunities could benefit New Brunswick:

1) Increase in Number of Television Channels in Canada

What started with 4 conventional networks in Canada has grown exponentially over the years with the introduction of basic cable and specialty channels. According to the CRTC in 2013 there are now 374 Canadian television channels authorized to broadcast in Canada. Each of these channels is mandated by the CRTC to dedicate a percentage of their broadcast time to Canadian produced content. It should also be noted that Canadian satellite and cable providers are currently mandated to contribute half the annual budget to the CMF (\$180 million in 2014).

Of particular note for New Brunswick is the increase in channels dedicated to Lifestyle programming (see below) and the establishment of a new French Language channel launched in 2014 with a focus on Francophone content outside of Quebec (Unis). This new channel, combined with the CMF program for Francophone Production outside Quebec, means we can continue to build on our established presence of French Language documentary and scripted series production.

2) Emergence of on-demand content providers:

In addition to the growth of television channels available, subscription and pay-based services such as Netflix, CraveTV, SHOMI and iTunes have also emerged in the past decade as a new way for Canadians to view content either through their televisions or directly online. There are presently 26 Video on Demand (VOD) providers in Canada (CRTC 2013) and Netflix has already captured 29% of the Anglophone market. This opens up new potential avenues for distribution revenue streams.

The popularity of VOD services also illustrates the shift in how creative content is consumed, shifting away from the singular platform of conventional television into a blended model that sees more people consuming content through the internet.

3) Lifestyle/Factual Content and Animation are Growth Genres

As noted in the Canadian Media Production Associations (CMPA) 2013 study, demand for Lifestyle and Animation content is growing at a higher rate than other genres.

These genres have lower than average leakage and provide strong opportunities for international distribution

GROWTH OPPORTUNITY:

Demand for creative content will continue to increase along with the growth of ways to access and view such content. Particular content areas for New Brunswick to potentially target include French Language Documentary and Scripted Series, Lifestyle/Factual Series, and Animation.

4) The Explosion of commercial online and mobile video content

The use of video as a medium to communicate commercial messaging online and over mobile devices has exploded over the past few years and will continue to do so. Video is the fastest growing advertising format in the world and marketer spending on the sector is expected to double each year from the 2013 level of \$8.5 billion to \$31.1 billion in 2017. In fact 74% of all Internet traffic in 2017 will be video.

GROWTH OPPORTUNITY:

New Brunswick can capture a piece of this lucrative global commercial production market as long as we have the capacity to do so. By remaining committed to funding the creative production industry, which will maintain and grow our technical crew capacity levels, New Brunswick can position itself to take advantage of the significant financial benefits (jobs, economic impact, and tax revenue) of the commercial side of the industry.

8.0 Industry Consultation Feedback

NB Producers and other stakeholders have been consulted throughout the review process to provide insight on the current state of the industry, feedback on the current and previous funding programs, and to provide their thoughts on what a new program should offer.

These consultations included a well-attended initial consultation meeting on February 6, 2015 with most of the producers in the province, as well as follow-up meetings with many producers individually, and all other industry stakeholders listed in the stakeholder section of the report. A full list of all parties consulted can be found in Appendix F.

With the exception of a few incongruent ideas, throughout these consultations there was a broad consensus on the challenges faced and on recommendations for government to most effectively stabilize the industry and support its growth in New Brunswick.

Listed here is a brief summary of industry's recommendations:

1) Challenges Faced:

- Stability – a new program needs to provide a long-term (10 year) commitment
- Lack of local qualified technical crew is a major challenge created by instability
- Lack of a dedicated government interface for industry – being administered by several government departments creates confusion and frustration
- Lack of an identity – not having a dedicated and branded government interface makes it difficult to be noticed and be a relevant player in the national and international marketplace

2) Desired Funding Programs:

- A labour-based rebate system was the preferred choice of a solid majority, although some producers liked the context of the NBMI
- In addition, there is an appetite for an Equity Investment Program, for projects with a strong business case and potential for return on government investment
- Funding should exist with no cap - a cap is perceived as preventing growth and creating instability
- Maintain some type of Development Program and enhance development support
- A mentorship program with shared responsibility between government and producers will help replenish provincial crew levels and properly train young people

3) Desired Delivery:

- Dedicated government entity – a dedicated government agency, such as the former NB Film, where producers and industry can interface with one department, is essential. The entity needs its own branding to help with internal and external awareness and ideally would be arm's length from its Ministry.

- An advisory board – industry would like to see an advisory board established to work with government to give guidance to the Film Department. This should be made up of industry and non-industry professionals and stakeholders.

Bibliography and References

- [1] Kate Taylor, "Kate Taylor: A contemporary argument for Canadian content", *The Globe and Mail*, Jan. 2015
- [2] "Profile 2013, Economic Report on the Screen-based Media Production Industry in Canada", Published by the *Canadian Media Production Association (CMPA) with project partners the Association québécoise de la production médiatique (AQPM), the Department of Canadian Heritage, and Nordicity Group Ltd.*, 2013 - <http://www.nordicity.com/media/2014129zmrnwhjuw.pdf>
- [3] David Campbell, "Economic Impact of the New Brunswick Film Production Industry", *Jupia Consultants Inc.*, Feb. 2015
- [4] Policy Research Group, "The Creative Economy: Key Concepts and Literature Review Highlights", *Government of Canada - Canadian Heritage*, May 2013
- [5] "Growing Canada's Creative Economy Together: A Discussion Paper by the Creative Economy Working Group", *The Federal-Provincial-Territorial Table on Culture and Heritage*, July 2013
- [6] "Creative Futures: A Renewed Cultural Policy for New Brunswick", *Province of New Brunswick*, June 2014 - <http://www2.gnb.ca/content/dam/gnb/Departments/thc-tpc/pdf/Culture/2014CulturalPolicy.pdf>
- [7] "The Role of Film in Society", *Thought Economics*, June 2011 - <http://thoughteconomics.blogspot.ca/2011/06/role-of-film-in-society.html>
- [8] "New Brunswick now tied with Nova Scotia for oldest population", *CBC News*, Sept. 2014 - <http://www.cbc.ca/news/canada/new-brunswick/new-brunswick-now-tied-with-nova-scotia-for-oldest-population-1.2778964>
- [9] Leah Hamilton, Andrea Arbic and Greg Baeker, "Building the Creative Economy in Nova Scotia ", *Research Committee of the Nova Scotia Cultural Action Network*, Feb. 2009 - http://www.creativecity.ca/database/files/library/ns_can.pdf
- [10] "Valuing Culture: Measuring and Understanding Canada's Creative Economy". *Conference Board of Canada*. International Forum on the Creative Economy. Gatineau. 2008
- [11] "The Economic Value of Cultural Industries Including Film in New Brunswick: A Comparative Analysis". *Econometric Research Inc. for Department of Wellness, Culture and Sport, Government of New Brunswick*. Mimeo, July 2009, pg. 3.
- [12] "The Role of Arts and Culture in Liveability and Competitiveness - Precis ", *Arts Victoria*, June 2008
- [13] Patricia Finneran, "Documentary Impact: Social Change Through Storytelling", *Story Matters with support from Inspirit Foundation, Panicaro Foundation, HotDocs and Harmony Institute*, 2014 - http://www.hotdocs.ca/resources/documents/Hot_Docs_2014_Documentary_Impact_Report.PDF

Appendix A

Film Industry GNB Investment and Related Production Levels 1996-2015

YEAR	TOTAL NEW BRUNSWICK COMMITMENT	TOTAL AMOUNT OF PRODUCTION
1996-1997	\$94,255	\$878,723
1997-1998	\$1,858,554	\$9,635,390
1998-1999	\$5,516,834	\$38,291,422
1999-2000	\$2,762,135	\$13,593,887
2000-2001	\$4,463,419	\$34,858,425
2001-2002	\$4,277,438	\$24,097,458
2002-2003	\$3,720,430	\$33,091,635
2003-2004	\$3,127,242	\$14,706,995
2004-2005	\$2,906,054	\$15,873,272
2005-2006	\$3,361,809	\$16,712,250
2006-2007	\$3,940,618	\$17,430,982
2007-2008	\$6,283,117	\$30,781,892
2008-2009	\$5,741,110	\$27,075,281
2009-2010	\$4,501,347	\$20,523,874
2010-2011	\$5,361,396	\$20,086,451
2011-2012	\$1,997,126	\$8,650,920
2012-2013	\$3,011,325	\$15,607,681
2013-2014	\$3,119,808	\$15,016,666
2014-2015	\$2,418,359	\$13,835,301
TOTAL	\$68,882,106	\$370,500,765

NOTE: The level of GNB investment since the inception of the Multimedia Initiative represents the actual commitment in the fiscal year that the commitment was incurred and does not necessarily reflect the actual disbursement of payments (cash flow) in any given year.

Appendix B

Stakeholder list

NB PRODUCTION COMPANY	CITY
Acrolect International Inc.	Fredericton
AmériKa Productions	Grande-Digue
Atlantic Mediaworks	Fredericton
Bear Paw Productions	Elsipogtog
Bellefeuille Production Ltée	Moncton
Bosco Médias	Shippagan
Botsford Productions Inc	Moncton
Canada East Films Inc.	Riverview
Cinimage Productions Inc.	Moncton
Connections Productions	Moncton
Flic Studios Inc.	Moncton
Frame Rates	St. John
Hemmings House Pictures	Saint John
Kelaur Productions Inc	Fredericton
Jben Productions	Maugerville
Loogaroo	Miramichi
Lintu Media	Oromocto
Marshall Button Enterprises	Moncton
Molto Italiano Film Productions Inc.	Fredericton
Mozus Productions	Moncton
News-Cast.com	Fredericton
Productions Appalaches	Moncton
Productions Ciné-Atlantik	Tracadie/Sheila
Les productions Dayo	Moncton
Productions du Milieu	Moncton
Les Productions Grana Productions Inc.	Grande-Digue
Les productions imagique Inc.	St. Thomas de Kent
Phare-Est Media Inc.	Moncton
Silver Fox Productions Inc.	Moncton
Shore Road Pictures Inc.	Fredericton
Story First Productions Inc.	Quispamsis
Twin Prop Productions Inc.	Quispamsis
Verity Studios Inc.	Fredericton

SECONDARY STAKEHOLDERS	CITY
Cinema-Tick Studios Inc.	Fredericton
Media NB	Fredericton
Digital Cut	Moncton
Ferguson Audio Production	North Tatagouche
Insurmountable Sounds Inc.	Fredericton
Locations Equifilm Rentals inc.	Moncton
Outreach Productions Inc.	Hanwell
The PostMan Production Studio	Moncton
Révoluson	Moncton
Tri-Media Sound & Pictures	Moncton
The Voice Factory	Saint John
NB Filmmakers' Co-operative	Fredericton
The Goalie Barn	Quispamsis

External Funding Partners

Association of Provincial Funding Agencies (APFA) and National Tax Credit Committee (NTCC) Contact List	
Organization	Contact
Alberta Film/Alberta Cultural Industries	Jeff Brinton, APFA/NTCC Chair
	Kim Evans
Creative BC	Richard Brownsey
	Bob Wong
Creative Saskatchewan	JP Ellson
	Erin Dean
Manitoba Film and Music	Carole Vivier
	Louise O'Brien-Moran
	Griffin Sokal
OMDC	Karen Thorne-Stone
	Kristine Murphy
SODEC	Sophie Labesse
	Elaine Dumont
Film & Creative Industries Nova Scotia	Lisa Bugden
	Linda Wood
	Caroline Horton
Newfoundland and Labrador Film Development Corporation	Chris Bonnell
	Dorian Rowe
Nunavut Film	Julia Ain Burns
	Derek Mazur
Northwest Territories Film Commission	Camilla MacEachern
Yukon Film & Sound Commission	Iris Merritt
CMF	Denise Jamieson
Telefilm Canada	Lori McCurdy
CAVCO	Johanne Mennie
	Tracey Doyle

Appendix C

Economic Impact of the New Brunswick Film Production Industry

Prepared by:
Jupia Consultants Inc.

February 2015

Summary of Findings

New Brunswick's film and video production sector generated **an estimated \$10.4 million worth of direct and supply chain output in 2013**. With induced economic effects the total output in New Brunswick increased to \$12 million.

This economic activity **boosted provincial gross domestic product (GDP) by an estimated \$7.3 million in 2013, supported \$3.7 million worth of labour income** and supported **162 full time equivalent (FTE) jobs**.

The industry also **generated an estimated \$950,000 worth of tax revenue** to provincial and local governments in 2013.

There is not **as much output 'leakage'** as might be anticipated given the size of the industry. In 2013, an estimated 26 percent of the output generated from the industry occurred outside the province. Only 25 percent of the direct and supply chain labour income left the province. Among the six production firms interviewed for this report, only 14 percent of supply chain spending occurred outside New Brunswick.

Overall **industry revenue is down in recent years compared to the past** due in large part to increasing competition from U.S. and other Canadian jurisdictions and other market factors such as the high value of the Canadian dollar (although that specific challenge has been reduced over the past 18 months).

The film and video production workforce, as defined by Statistics Canada and reported in the 2011 National Household Survey **includes approximately 400 workers around the province**. Many of the occupations in the industry offer good wages including film and video camera operators which earn a 40 percent median income premium over the average in New Brunswick.

The New Brunswick film and video production industry **relies on higher levels of government subsidies than other provinces** due to types of production occurring here. However, among the six firms surveyed for this report **only 30 percent of all government funding** (including the government mandated CMF) **came from the New Brunswick government**. New Brunswick has been a major beneficiary of the \$10 million CMF fund for Francophone productions outside Quebec.

Overall, the **New Brunswick government was the source of 21 percent of total industry funding** over the past three years. The rest comes from other government, broadcasters and private sources.

The film and video production industries are **not currently generating a tax-based return on New Brunswick government investment**. However, there are ways to boost the NB taxes generated by the industry (developed in Section 3) and other ways to measure value from the investment (such as social and cultural benefits).

The film and video production industries in New Brunswick are **leveraging considerable external investment**. Over the past three years, \$36.2 million in external funding was brought in to finance New Brunswick-based productions.

The New Brunswick film and video production sector **brings cultural and social benefits to the province**. Many of the productions showcase New Brunswick communities, acting and singing talent. Many tell New Brunswick stories. Many of the documentaries developed in the province also have social value as they are addressing issues of importance in New Brunswick and beyond. In the long term, cultural and social content strengthens the ties New Brunswickers have with their province and local communities.

A relatively limited New Brunswick-based workforce for the industry means that producers need to go outside the province for certain talents and skills.

Potential areas for growth:

General market conditions are improving. The weakening dollar makes production in Canada more attractive again. A number of jurisdictions are tightening their film and video production incentive regimes and the proliferation of new channels for content (traditional and online) are opening up new market potential.

New Brunswick has established itself as a **solid, niche player in Francophone documentary and television programming**. There is some potential for growth in this space – leveraging co-productions with Quebec.

New Brunswick also **has a reputation for developing quality one-off documentaries**. This segment is attractive as it normally uses only New Brunswick talent and supply chains.

There is not much upside potential for documentaries relying heavily on CMF and government funding but there does seem to be **potential in commercially viable projects that speak to social causes or lifestyle issues** that have a wide potential audience.

The New Brunswick industry does not have a significant **commercial/corporate production component** but **this segment of the industry is growing** and there may be ways for New Brunswick to take advantage.

Boosting the film and video production workforce that is based in New Brunswick could also have a significant economic impact. This would serve two purposes: 1) it would increase the talent pool for productions in New Brunswick; 2) and the income the workers earn while working in other provinces flows back and is spent in New Brunswick.

1. Introduction

1.1 Purpose and approach

The purpose of this report is to provide the provincial government with an economic impact assessment of the film, video and animation production industry in New Brunswick. The report was compiled based partially on Statistics Canada industry output and gross domestic product (GDP) estimates and on a review of six different production companies in the province as well as other reports and data on the industry.

The economic impact assessment looks at the GDP, labour income, employment and supply chain activity associated with the industry in New Brunswick. It also estimates the taxes that are generated by the provincial government as a result of the industry.

In addition, the report provides an assessment of how the provincial government generates a return on the taxpayers' investment into the film, video and animation production industry. Like most provinces in Canada, a large segment of the industry is reliant on public support. This report confirms that subsidy levels are quite high in New Brunswick but that a significant majority of the subsidies come from federal government sources. The key question for the provincial government is at what level of provincial government funding is there positive return on the investment of tax dollars? Does the leveraging of federal and other government and private funding sources generate a positive return for the provincial government investment? Does public investment in certain segments of the film, video and animation production support additional business that is not government subsidized? How do we measure social and cultural value from public investment in the film and video production sector?

The report also raises a number of other considerations relating to the industry's economic impact and broader societal impact. Are there specific genres that should be focused on given the workforce, supply chain, geography and other attributes of the New Brunswick market? Are there social and cultural benefits that should be considered beyond the straight economic impacts?

In the end the goal of this report is to support the provincial government as it considers what its role should be in the years ahead in support of the film, video and animation production industry in New Brunswick.

DISCLAIMER: *The economic impact review in this report covers motion picture and video industries only (NAICS 5121) which includes firms that are primarily focused on the creation of film and video productions. There are other firms that would fall under a broader definition of the film, video and animation sector that are not included in the analysis. For example, firms that develop television commercials, corporate videos, etc. might be classified by Statistics Canada in NAICS 5418 - advertising, public relations, and related services which is a \$24 million industry in New Brunswick. A firm involved in animation production may be classified under NAICS 5112 - software publishers which is a \$70 million industry in New Brunswick.*

1.2 New Brunswick film, video and animation industry at a glance

New Brunswick's film, video and animation industry is small relative to other provinces in Canada. According to provincial government statistics, the total value of production over the three years 2012-2013 to 2014-2015 averaged \$14.9 million per year. This was down from an average of \$24.6 million between 2007-2008 and 2010-2011¹. This mirrored the national industry which was hit by the expansion of tax credit and other incentive programs in the United States as well as the relatively high value of the Canadian dollar during the period.

The biggest years for film and video production in New Brunswick were in the 1999-2000 to 2002-2003 years when the average production value was \$28.9 million. The industry has a fairly good track record for generating economic value within New Brunswick. According to Statistics Canada multiplier data, the motion picture and video production sector in the province (NAICS 5121) generates 72.4 cents worth of gross domestic product in the province for every one dollar worth of industry output.

As shown in Table 1, there are over 100 firms registered with CRA as operating in the motion picture and video production industry but this statistic needs to be viewed with caution as many individual productions are established as separate corporate entities. According to the Statistics Canada data, there are only four firms in this sector with five or more staff (as of June 2014) and none with more than 20 staff on payroll. There are three firms in the motion picture and video distribution and two in the post-production segment of the industry. Some independent actors register as corporations and show up as business establishments.

¹ These figures are associated with the film and video production that accessed the NB Multimedia Initiative. This understates the total value of the industry.

There were 25 of those residing in New Brunswick in 2014 or less than one half of one percent of the total across Canada. There is no specific industry grouping for ‘animation’ firms. The closest industry group includes firms involved with the designing and publishing of video games. There are five firms in New Brunswick in this industry group.

Table 1: Number of firms in the film, video and animation industries in New Brunswick (2014)

Motion picture and video production	103
Motion picture and video distribution	3
Post-production and other motion picture and video industries	2
Independent actors, comedians and performers	25
Independent writers and authors	22
Video game design, development and publishing	5

Source: Canadian Business Patterns 2014. Statistics Canada.

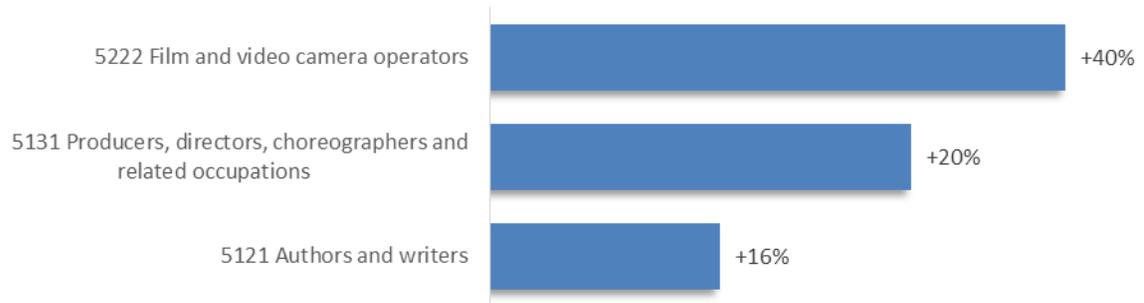
It is difficult to provide a good profile of the film, video and animation workforce in the province. Statistics Canada’s National Household Survey is the best guide as it recorded the number of people who worked in the industry and related occupations in 2011. According to the NHS in 2011, there were 395 people employed in the province in *motion picture and video industries* (NAICS 5121). There were 220 people employed as producers, directors, choreographers and related occupations.

There were only 25 employed as actors and comedians, 30 as film and video camera operators and 205 as audio and video recording technicians. More on the film, video and animation workforce is developed in Section 4.1 below.

It is difficult to compare wage levels in the industry because much of the work is part time but for those workers who are employed year round, income levels in a number of creative occupational groups are well above the average in New Brunswick. As shown in Figure 1, a film and video camera operator working full time will earn a 40 percent premium over the average full time worker in New Brunswick.

Figure 1: Annual creative employment income premium: Selected occupations (2011)

Median income premium compared to the overall average for full time, full year workers in New Brunswick



Source: Statistics Canada National Household Survey 2011.

2. The economic impact of the film, video and animation production industry

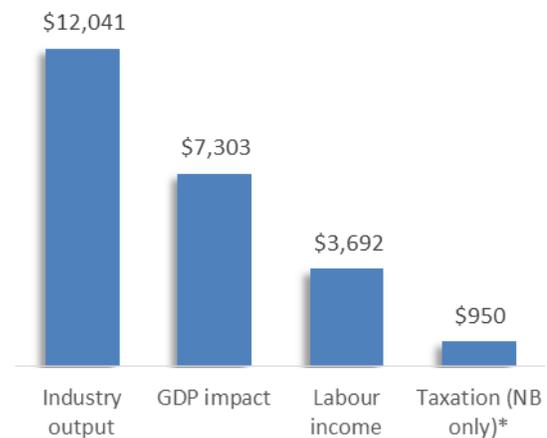
2.1 The formal economic impact assessment

Statistics Canada provides a detailed assessment of the economic spending patterns of more than 200 industries across the country and at a provincial level. The input-output tables and economic multipliers paint a picture of how various industries impact provincial and national output, gross domestic product (GDP), labour income, taxes and consumers spending.

Table 2 shows how the industry's spending in 2013 impacted the New Brunswick economy. Firms in *motion picture and video industries (NAICS 5121A0)* generated just over \$14 million worth of direct and supply chain spending during the year of which about \$10.4 million of that spending occurred in New Brunswick². Induced economic impacts occur when labour income and profits are spent in the province (i.e. groceries, transportation, entertainment, etc.). Including direct, indirect (supply chain) and induced effects, this industry boosted total output in New Brunswick by \$12 million in 2013.

GDP is the value add from the spending that stays in the province. For example, when a company purchases equipment – even from a New Brunswick supplier – the bulk of the economic value add from that equipment occurs where it was manufactured. If it was not manufactured in New Brunswick, most of the GDP impact will occur elsewhere. In 2013, through its direct and supply chain spending the New Brunswick film and video production industry boosted New Brunswick's GDP by \$6.3 million. Adding in induced economic effects, the industry boosted provincial GDP by \$7.3 million. This is the real economic value add from the industry in the province less any leakage to other provinces or countries.

**Figure 2: Total economic impact in New Brunswick – 2013 (\$000s)
*Motion picture and video industries***



*Provincial and local taxes only.
Source: Statistics Canada.

² The commodity flow for the industry is shown in detail in Table 2 below.

The input-output tables also estimate the labour income that was generated by the industry. In 2013, the direct and supply chain spending of the industry resulted in \$3.3 million worth of labour income across the province. The economic impact model estimates that \$1.1 million worth of direct and supply chain labour income 'leaked' out of the province. With induced effects the labour income in New Brunswick rises to \$2.7 million.

This labour income supported 152 full time equivalent (FTE) jobs (direct and supply chain) and 162 FTEs in total across the province. The number of people working in the industry is actually much higher but the economic impact model shows full time equivalent impacts (See Appendix A for definitions).

The direct labour income and supply chain activity of the industry generated an estimated \$652,000 worth of provincial and local tax revenue in 2013. Including induced impacts, the industry's tax contribution rose to \$950,000 or an amount equivalent to 13% of the industry's GDP impact.

Table 2: New Brunswick film and video production economic impact profile (2013)

	Direct and supply chain impact	Total economic impact*
Industry output in New Brunswick	\$10.4 million	\$12.0 million
GDP impact in New Brunswick	\$6.3 million	\$7.3 million
Labour income in New Brunswick	\$3.3 million	\$3.7 million
Employment (FTE)**	152	162
Taxes generated (provincial and local government only)**	\$652,000	\$950,000

*Includes induced economic effects. **Full time equivalent. ***Includes provincial income tax, HST, property taxes and other indirect taxes. Source: Statistics Canada Input-Output Tables (2010 multipliers). See Appendix A for definitions and sources.

The economic impact model also provides detailed estimates of how the output flows through the provincial and national economies. Table 3 shows the direct and supply chain output by major commodity group in New Brunswick and outside the province. Overall, the New Brunswick motion picture and video production sector generated \$14 million worth of total output across Canada of which \$10.4 million boosted direct and supply chain output in New Brunswick (as modelled in Table 1). A total of \$3.6 million worth of output boosted provincial economies other than New Brunswick.

The industry boosted licensing fees to distribute/reproduce motion pictures and videos in Canada by \$2.35 million – with 95 percent of that output accruing to the producers in the province. Rental of non-residential real estate; business support services; career management and representation services of public figures; and technical artistic services round out the top five commodities. The areas with significant output outside New Brunswick include: photographic services (with 40 percent of total output going to firms outside the province); legal services (with over 50 percent of output leaving the province) and employment services (58 percent leaving the province).

Overall only 26 percent of the commodity flow from the New Brunswick film and video production sector leaves the province (i.e. boosts output in other provinces or countries) which is a relatively low level of output leakage given the small size of the industry.

Table 3: New Brunswick film and video production output by major commodity (2013)*

	Within New Brunswick	Outside New Brunswick	Total Commodity Flow
Motion picture and video production and related services	\$4,723,453	\$900,102	\$5,623,554
Licensing fees to distribute/reproduce motion pictures & videos	\$2,350,624	\$117,675	\$2,468,299
Rental of non-residential real estate	\$382,191	\$203,754	\$585,945
Business support services	\$214,500	\$33,931	\$248,431
Career management and representation services of public figures	\$213,772	\$10,016	\$223,788
Technical artistic services	\$213,679	\$9,908	\$223,586
Machinery and equipment renting and leasing services	\$136,834	\$57,237	\$194,072
Photographic services	\$113,972	\$77,100	\$191,072
Own-account software design and development services	\$104,168	\$-	\$104,168
Office administrative services	\$95,489	\$33,500	\$128,989
Contract production- live performances/events/copyrighted works	\$91,270	\$5,326	\$96,596
Repair construction services	\$85,845	\$25,264	\$111,108
Facilities and other support services	\$83,798	\$37,814	\$121,613
Banking and other credit intermediation services - explicit charges	\$80,741	\$19,736	\$100,476
Retail margins	\$76,425	\$31,432	\$107,857
Sales of other government services	\$72,077	\$3,104	\$75,181
Electricity	\$60,167	\$36,934	\$97,101
Prepared meals	\$59,964	\$26,517	\$86,481
Legal services	\$58,040	\$66,136	\$124,175
Accounting and related services	\$53,016	\$23,865	\$76,881
Studio and audio recording services	\$48,691	\$24,573	\$73,265
Gasoline	\$46,671	\$21,416	\$68,086
Employment services	\$44,763	\$61,780	\$106,543
Automotive insurance services	\$38,623	\$10,971	\$49,594
Motor vehicle rental and leasing services	\$32,498	\$18,252	\$50,750
Other goods and services	\$942,098	\$1,745,862	\$2,687,959
Total expenditures	\$10,423,367	\$3,602,204	\$14,025,571

*Direct and supply chain spending. Source: Statistics Canada Input-Output Tables (2010 multipliers). See Appendix A for definitions and sources.

2.2. A review of six New Brunswick-based production firms

In the development of this report, six of New Brunswick's film, video and animation firms provided detailed information on their sources of funds, employment, supply chain spending and markets. This six are a reflection of the industry in the province.

The six firms in total completed over \$31 million worth of projects over the past three years or \$10.4 million on average per year. There are two firms that generated nearly 80 percent of the total revenue and one of the firms had limited revenues because it has been in project development mode over the past three years. As shown in Table 4, over half of total industry revenue over the three-year period is attributable to television series. Another quarter goes to the documentary sector with feature film production and commercials/corporate work taking eight percent and 10 percent respectively.

Table 4: Breakdown of industry revenue by type of production (three year totals 2012-2014)

	3 year totals	% share
Feature films	\$2,532,000	8%
Documentaries	7,836,632	25%
TV series including variety	16,604,651	53%
Commercials and corporate work (including animation)	3,271,866	10%
Other – shorts, new media	1,054,841	3%
Totals	\$31,299,990	

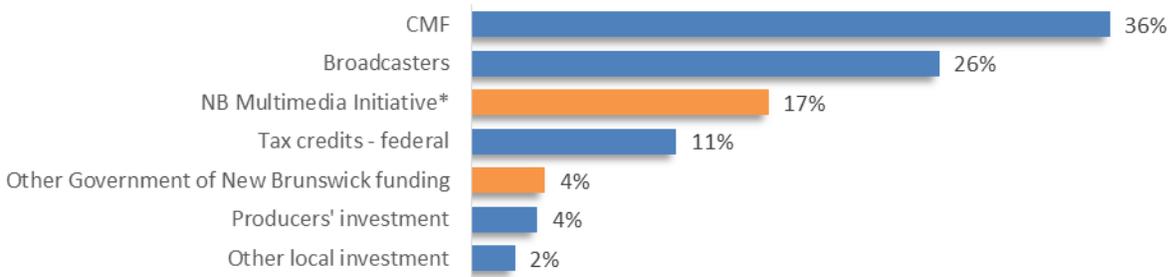
Source: Survey of six NB production firms (February 2015).

The commercial and corporate film, video and animation production work is higher in other provinces such as Quebec and Ontario. This segment of the industry is not as reliant on government subsidies and it boosts the talent pool available in the province. More discussion on the potential of development this segment of the market is discussed in Section 4.3 below.

Over the three years, the six firms raised over \$25 million in funding. The breakdown of this funding is shown in Figure 3. The Canada Media Fund is the top source of funding accounting for 36 percent of the total followed by broadcasters at 26 percent. New Brunswick benefitted particularly from the CMF funds allocated for Francophone productions outside Quebec. The New Brunswick government was the source of 21 percent of total funding raised over the three year period.

It is important to point out that nearly 80 percent of all funding comes from outside New Brunswick. The leverage of external investment is discussed further in Section 3.4.

Figure 3: Breakdown of film and video funding sources (2012-2014)

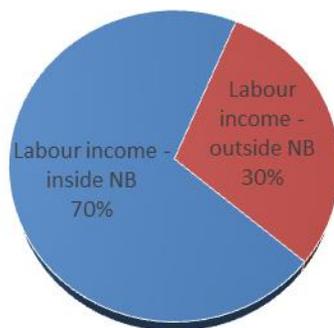


*Includes some residual tax credit revenue from previous years. Source: Survey of six NB production firms (February 2015).

The six firms combined have 31 full time staff and bring in over 200 more each year on a project-by-project basis. Additionally, the firm that is in project development mode would normally hire upwards of 150 people per feature film project. The firms specializing in documentary production and commercials/corporate work require far fewer of the project-by-project workers. A broader discussion on the implications associated with the lack of a local labour supply for feature films, series production, etc. is found in Section 4 below.

In an average year during the last three, these firms collectively spent \$4.6 million on labour (or 44 percent of total costs). Seventy percent of the wages and salaries accrue to workers that live in New Brunswick and 30 percent to those outside. The TV series and feature film projects tend to rely more heavily on external labour (see Section 4 for more on this issue).

Figure 4: Labour income distribution (in-province versus external)



Source: Survey of six NB production firms (February 2015).

Given the size and structure of the New Brunswick film and video production industry, retaining 70 percent of the labour income is a solid result. Some of the products are co-productions that result in labour costs accruing in other jurisdictions.

The other point not captured in this analysis is that there are a number of New Brunswick based film and video production industry workers who are living in the province but generate at least some of their revenue by working in other jurisdictions. This income is earned elsewhere but spent in New Brunswick. If we are able to grow the industry in the years ahead, this ability of workers to generate income outside the province is good as it leads to a larger pool of talent here and boost overall income levels.

The firms were also asked how much of their supply chain spending occurs outside New Brunswick. In the last three years, the average firm spent just 14 percent outside the province. This is a relatively low level of external spending given that some services are not just available in Atlantic Canada such as specialized equipment as well as financial and legal services.

2.3 Individual production projects/genres analyzed

In addition to the overall economic review of the six firms, a number of specific productions were reviewed to provide observations as to which types of project generate higher value for the industry.

Production summary:	Key observations:
<p>Long running French language scripted television series (Francophone) \$4.6 million budget Over 100 workers (actors, production, etc.) \$2.6 million payroll/48% outside NB 44% of supply chain spending outside NB 28% funding from CMF, 22% broadcaster, 20% NB Multimedia Initiative, 15% federal tax credits, other investment including producer 15% Francophone markets around the world</p>	<p>Benefits: Major beneficiary of the CMF program for Francophone productions outside Quebec. Employs a significant number of northern NB workers. Promotes rural NB culture, communities and landscapes.</p> <p>Other considerations: Requires substantial labour support from outside NB that could be reduced if the talent pool was here. Does not generate significant broadcaster/sales revenue. Offers some growth potential but heavily reliant on CMF funding.</p>
<p>Animated series (Anglophone) Small budget \$36,000 NB labour of \$14,000 Received 30% NB labour credit No other government funding</p>	<p>The industry offers good paying and challenging work Industry still in growth mode across Canada but many provinces are looking to grow the sector by offering lucrative incentives. Customers expect tax credits to be built into the cost of development. First thing potential clients ask is “what is your tax credit?”</p>

Production summary:	Key observations:
<p>Lifestyle/Factual (Anglophone) \$1.9 million production/\$470,000 in NB \$1.5 million from broadcaster (79% of total cost) \$400,000 NB Multimedia Initiative (21% of total cost)</p>	<p>This is an emerging genre of production one of the first to come out of NB. There is considerable growth potential in this segment of the market particularly in the U.S. market with the proliferation of television and online channels. This project used 100% in-house staff and was the firm's first big scale project Canada-wide. There is considerable interest from US and international distributors. Significant non-government revenue potential from this segment.</p>
<p>Documentary (Anglophone) An example of a 45 min documentary produced for television broadcast \$108,000 budget (70% NB labour) Funding: 23% from broadcaster, 9% from CMF, 12% from PNB, 28% NB Multimedia Initiative and 28% private investment.</p>	<p>Social impact storytelling – Using documentaries to achieve social change in New Brunswick. Export ideas to the world. Rated high in Nielson ratings. Offered now free to the world via website. Global audience. Mostly New Brunswick spending. The company is packaging this concept “social impact storytelling” and pitching projects in the United States. They see considerable upside potential.</p>
<p>Long running variety program (Francophone) Francophone country music variety show \$1.4 million budget 68% spent in New Brunswick NB labour = \$582,000 Funding: NB Multimedia Initiative 19%, tax credit Canada 12%; FMC Canada 29%; broadcasters 40%</p>	<p>Stable, consistent employment over more than a decade. Provides cultural benefits as it showcases New Brunswick music talent.</p>
<p>Feature Film (Francophone) A Francophone co-production for theatrical release. 51% NB/49% QC \$2.3 million budget Funding: 27% from private investment (mostly from Quebec); 13% broadcasters; 15% NB Multimedia Initiative; Telefilm Canada 13%; Sodec Quebec 13%; Tax credits Quebec 11%; Tax credits Canada 7%. \$1.1 million spent in New Brunswick. Total NB labour: \$565,500.</p>	<p>Leveraged significant Quebec-based funding. An important advantage is New Brunswick's French speaking population as it makes the province attractive for Quebec co-productions. There is potential to develop more of these projects in the future leveraging the CMF funding.</p>
<p>Documentary (Francophone) - Historical Documentary \$950,000 budget 30 staff/payroll of \$692,000 (85% NB) \$251,000 other expenses (86% NB)</p>	<p>Historically significant content for New Brunswick. Some interest in the product outside Canada. Had to bring in some talent from outside the province but the bulk of the labour cost and supply chain was expended in New Brunswick.</p>
<p>Full length feature film (Anglophone) Co-Production with UK, France. DVD release in Canada, theatrically in USA, UK and four other countries. \$3.1 million budget 150+ staff 71% spent in New Brunswick Financing: 68% private, 12% NB tax credit, 11% federal tax credit, 7% distributor, 2% Telefilm Canada</p>	<p>This full length feature film relied much less on government funding (21% of total financing) than most other projects reviewed. Most of the project spending occurred in New Brunswick (71%). 37 actors in total, 24 from New Brunswick (wages between \$600 and \$36,000). Stunts all imported from Nova Scotia and Ontario. Most support staff from New Brunswick.</p>

Summary considerations

New Brunswick has established itself as a solid, niche player in Francophone documentary and television programming. This segment benefits from the \$12 million CMF program in support of Francophone productions outside Quebec. There is some potential for growth in this space – leveraging co-productions with Quebec.

New Brunswick also has a reputation for developing quality one-off documentaries. This segment is attractive as it normally uses only New Brunswick talent and supply chains. The upside potential for documentaries relying heavily on CMF and government funding is not substantial but there does seem to be potential in commercially viable projects that speak to social causes or lifestyle issues that have a wide potential audience.

The New Brunswick industry does not have a significant commercial/corporate production component. This segment of the industry is growing and there may be ways for New Brunswick to take advantage (see Section 4.3 below).

3. Achieving a tax-based return on the taxpayers' investment

3.1 Effective subsidy rates – provincial comparison

Statistics Canada tracks government subsidies within the film and video production sector at the national level and for each province. Statistics Canada's input-output tables do not breakdown the source of the subsidies (federal, provincial, etc.) just the total amount per dollar of industry output in any given year.

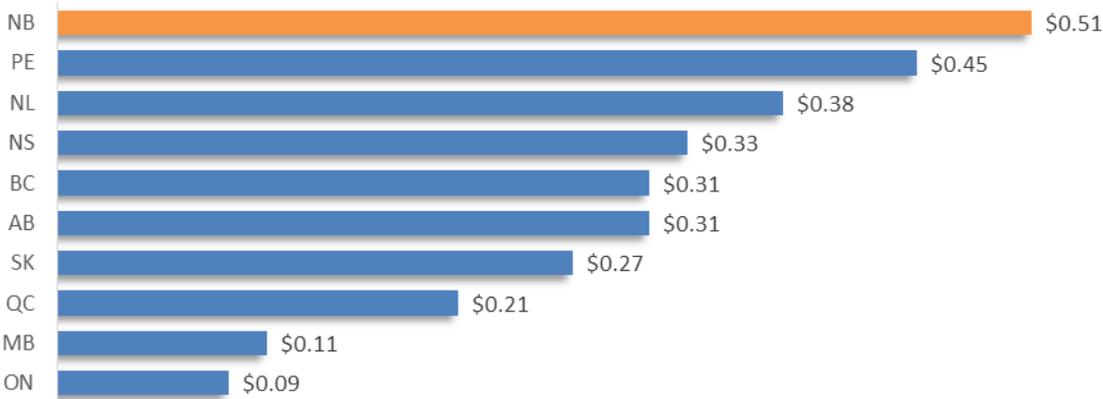
Figure 5 shows the dollar value of government subsidies for the motion picture and video production sector in 2010 (the most recent year for which subsidy information is available). In 2010, New Brunswick had the highest effective subsidy rate at 51 cents for every dollar of direct and indirect output³.

It is important to point out that federal government funding makes up a substantial portion of the New Brunswick funding particularly as a result of the \$10 million annual CMF funding for Francophone productions outside Quebec. ***In the last three years, federal funding (CMF and tax credits) accounted for 69 percent of the total value of government funding for New Brunswick productions. While the overall level of subsidy is high, the New Brunswick government portion is relatively low.***

Nevertheless, the share of production cost funding coming from broadcasters, distributors and other private sources is much less in New Brunswick compared to most other provinces. This is also due to the type of production in New Brunswick. The culturally oriented productions require a higher contribution from government sources compared to commercially oriented productions.

³ The multipliers for 2009, 2007 and 2005 show similar levels of subsidy in New Brunswick as a percentage of industry output.

**Figure 5: Total value of government subsidies per \$1.00 of direct and supply chain output (2010)*
Industry: NAICS 5121A0 Motion picture and video industries**



**Direct and supply chain spending for the industry group NAICSBS 5121A0 Motion picture and video industries (except exhibition). Source: Statistics Canada Input-Output Tables (2010). See Appendix A for definitions and sources.*

3.2 Developing a simple New Brunswick tax-based payback model

One way to look at payback on government investment is to develop a tax-based payback model. Using Statistics Canada data on the industry’s GDP, employment income, employment, supply chain and taxation levels, a simple model can be developed to show a threshold at which the New Brunswick government receives a tax-based return on its investment in the film, video and animation production industry or the breakeven level of investment. In other words, the level at which the provincial government can expect to see at least one increment tax dollar derived by the industry’s economic activity from each tax dollar invested in the industry. This is not the only consideration when supporting this industry.

Using the most recent Statistics Canada multipliers for the film and video production industry, the New Brunswick government can expect to generate \$103,000 worth of taxes for every million dollars’ worth of direct and supply chain spending (Table 5). As a percentage of NB direct and supply chain income, the tax contribution works out to 32.6 percent of the total NB income.

This suggests that using the most recent industry economic multipliers, any incentive at 32.6 percent of total New Brunswick direct and supply chain labour income or below provides a positive return on the investment in the form of incremental tax dollars.

Table 5: NB government taxes generated per \$1 million in film and video production activity*

Production output (direct and supply chain)		\$1,000,000
Multipliers (as a % of production output):		
Direct and supply chain NB GDP	60.8%	\$607,575
Direct and supply chain NB labour income	31.5%	\$315,241
Total NB GDP**	70.1%	\$700,615
Total NB labour income**	35.4%	\$354,236
NB tax ratio (Total NB taxes as a percentage NB labour income):		
Total NB taxes generated** (% of direct/supply chain NB labour income)	32.6%	\$102,917

**For industry group NAICS 5121 Motion picture and video industries (except exhibition). **Direct, indirect and induced economic effects. Source: Statistics Canada Input-Output Tables (2010 multipliers). See Appendix A for definitions and sources.*

Based on recent data on New Brunswick government investment into the film, video and animation production sector and the tax impact ratio developed in Table 5, this tax-based return on investment was not achieved. This is not unlike many other provinces such as Nova Scotia which also does not achieve a tax-based return on provincial government investment.

3.3 Boosting the taxes generated from the NB government investment

There are ways to boost the tax revenue generated by the industry. New Brunswick taxes generated by the film and video production sector represent an amount equivalent to 16.5 percent of total GDP which is lower than many other industries. Some other industries can have a New Brunswick total tax-to-GDP ratio of closer to 20 percent. There are a number of ways the taxes generated from the film and video production industry could be boosted as summarized here:

- **Increasing the amount of New Brunswick labour income** per dollar of industry spending. The vast majority of taxes generated in New Brunswick derive from labour income (personal income tax, HST, property tax, etc.). If there was a higher New Brunswick labour cost component, it would boost provincial taxes. This is discussed further in Section 4.1.
- **Increasing the average salary/wage.** Higher wages result in higher marginal tax rates and effectively higher overall taxes.
- **Increasing the supply chain spending** in New Brunswick. The more spent in the province the higher provincial taxes paid.
- **Increasing the profitability of film and video production** in New Brunswick. The film and video production industry in New Brunswick does not generate operating profit. This is due to the types of production and structure of the industry. If the industry was profitable it would be subject to New Brunswick corporate income taxes and that would boost the overall tax contribution.

If the industry was able to raise its GDP contribution in New Brunswick from its current 70 percent of total production costs to 85 percent and if the tax contribution was raised from 16.5 percent of GDP to 23 percent of GDP, the industry would reach a tax-based breakeven point on the New Brunswick government investment in the industry (Table 6). NB GDP and taxes could be boosted by increasing the NB labour income component, industry profitability or more supply chain activity in the province.

Table 6: NB GDP and taxes raised required to breakeven (against current ratios)

	Current (3-year total): NB GDP @ 70% of total production costs and NB <u>taxes at</u> <u>16.5% of NB GDP</u>	Breakeven: NB GDP at 85% of production costs and NB <u>taxes at 23% of NB</u> <u>GDP</u>
Production costs	\$44,570,243	\$44,570,243
Estimated NB GDP	\$31,226,578	\$37,884,707
Est. NB taxes	\$5,147,011	\$8,713,483
Total NB government funding	\$8,340,531	\$8,340,531
Total tax gain/loss	\$(3,193,520)	\$372,952

Encouraging non- or limited subsidized film, video and animation production activity

Another way to generate a positive overall film, video and animation production industry tax-based return is to attract more commercial and corporate production activity at a lower level of government subsidies. For example, Ontario offers fairly generous incentives for eligible film, video and animation productions but according to Statistics Canada, the overall industry subsidy rate per dollar of direct and indirect output was only nine cents in 2010. If a large segment of the industry receives limited or no government subsidies and another 'strategic' segment is subsidized at a tax loss, the overall industry could generate a positive tax stream for the provincial government.

3.4 Measuring economic payback – other than taxes generated

There are other ways to measure the impact of New Brunswick government investment in the film, video and animation production sector. One way is to look at the amount of funding the government is leveraging by providing support to the sector. Over the past three years, the New Brunswick government invested \$8.3 million in film, video and animation production which was leveraged into \$28.6 million worth of spending in New Brunswick.

Table 7: New Brunswick government funding and leverage of external investment into the film and video production sector (3-year totals)

Category:	Production costs:	NB government funding:	External funding:	NB spend:	Leverage:	Leverage Ratio:
Feature Film	\$14,274,157	\$2,196,380	\$12,077,777	\$7,321,267	\$5,124,887	2.33
Doc. TV Series	\$10,504,813	\$2,304,548	\$8,200,265	\$7,681,827	\$5,377,279	2.33
Lifestyle/Factual	\$2,374,244	\$516,859	\$1,857,385	\$1,722,863	\$1,206,004	2.33
Documentaries	\$5,369,294	\$1,399,778	\$3,969,516	\$4,665,927	\$3,266,149	2.33
Animation	\$19,535	\$5,861	\$13,674	\$19,537	\$13,676	2.33
Variety	\$6,446,504	\$1,152,429	\$5,294,075	\$4,589,049	\$3,436,620	2.98
Short Film	\$87,000	\$26,100	\$60,900	\$87,000	\$60,900	2.33
<u>Drama TV Series</u>	<u>\$5,494,696</u>	<u>\$738,576</u>	<u>\$4,756,120</u>	<u>\$2,461,920</u>	<u>\$1,723,344</u>	<u>2.33</u>
Totals	\$44,570,243	\$8,340,531	\$36,229,712	\$28,549,389	\$20,208,858	2.42

Sources: Production costs by category and NB government funding (totals for 2012-2013, 2013-2014 & 2014-2015) supplied by GNB.

3.5 Social and cultural benefits: Beyond short term economics

Much of the film and video productions in New Brunswick could be considered 'cultural' content for the province. They showcase New Brunswick communities, acting and singing talent. Many tell New Brunswick stories.

Many of the documentaries developed in the province also have social value as they are addressing issues of importance in New Brunswick and beyond. Is there economic value to telling New Brunswick stories? How do we quantify that value?

In the long term, cultural and social content strengthens the ties New Brunswickers have with their province and local communities.

4. Strengthening the economic model for film and video production

4.1 Addressing the challenges of the thin workforce

One of the most raised issues during the interview phase of this project was the lack of a talent pool in New Brunswick to be tapped by larger scale film and television projects. This forces producers to go out of province to find the talent and that reduces their potential GDP, labour and New Brunswick tax impacts. Several producers suggested there was a larger talent pool in the province a decade ago but many have left to base themselves in markets where there is more regular work.

As discussed above, the 2011 Statistics Canada National Household Survey confirms the limited scope of the New Brunswick film and video production workforce. For example, in 2011 there were only 30 New Brunswickers who listed their principal occupation as an actor or comedian (NOC 5135). There were 12 times as many living in Nova Scotia. There were 40 persons employed as film and video camera operators in New Brunswick (NOC 5222). At the same time there were four times as many living in Nova Scotia.

The broader benefits of an NB-based film and video production workforce

How does New Brunswick build a film, video and animation workforce with a limited scale of production activity? This is a classic chicken or egg problem. Should the government focus on building the workforce even if many of them leave to work elsewhere in Canada and beyond? There is considerable anecdotal evidence that many of the workers in New Brunswick's film and video production already work on projects in other provinces and bring that labour income back to be spent in this province. If we could bulk up the workforce here it would support local production activity and support labour income and taxes in New Brunswick even if they work outside the province for a portion of the year. Several producers interviewed for the development of this report suggested the government bring back mentorship/on-the-job funding support as a way to begin rebuilding the local talent pool for the industry. Investments in training are long term and do not necessarily need to be part of any annual tax-based return on investment model.

4.2 Targeting niche film, video and animation activities

Should the government target specific activities that show a higher tax-based return on investment?

Smaller documentary productions, for example, require less external labour and supply chain activity but their commercial scope is normally more limited compared to the larger productions. The larger feature film productions require less public funding (on average) but tend to pull actors and other talent from beyond New Brunswick.

4.3 Supporting more commercially-oriented production, corporate video/animation production

According to federal government data on the industry, 53.5 percent of Canadian television production in 2012-2013 was financed by private investment. Among the six firms reviewed for this report, private investment (including broadcaster revenue) accounted for 32 percent of total investment. If the two mostly commercial firms are removed, the private investment level (including broadcaster revenue) drops below 30 percent. Four of the six firms had 100 percent of their projects funded in part by government sources.

One of the opportunities facing the New Brunswick industry is to access the market for more commercially-oriented production, corporate video and animation production. These are productions that have high commercial appeal and in many cases can be distributed widely across North America and beyond.

Several of the producers suggested the government consider supporting corporate videos, TV commercials and other typically non-subsidized activity to build up a base of industry talent here that could be used in the subsidized segment of the industry ensuring more of the labour income stays in the province. The subsidy level could be set below the tax threshold which would mean it would be tax positive – albeit to a limited level.

Strategic incentives to grow this segment of the industry

The New Brunswick government provides incentives to foster growth in other export-oriented and strategic growth industries across the province manufacturing, back offices and information technology development centres. These incentives come in the form of payroll rebates, upfront grants or other loan programs (and even equity positions through organizations such as the NB Innovation Foundation). The government could look at the corporate market (i.e. TV commercials, corporate documentaries, profiles, etc.) as a growth area and strategically support its development in New Brunswick.

4.4 NB government equity investment in production

A number of the producers interviewed for this project suggested the New Brunswick government consider equity investment as a form of support to the industry. A number of the productions are generating interest from United States and international distributors which could result in a return on the equity invested in the project. There is a potential growth area.

5. Conclusion

The New Brunswick government is looking at how it can support the film, video and animation sector in the province. Jurisdictions across North America realize the strategic economic, social and cultural value from this industry and that has led to a highly competitive environment across the continent and beyond.

New Brunswick needs to focus on those segments of the industry where it has advantages and can compete. Because of its significant Francophone population, New Brunswick has distinct advantage in the development of French-language content leveraging the \$10 million annual CMF fund for Francophone productions outside Quebec.

The province also has strengths in the production of high quality historical, social and cultural documentaries. These strengths could be leveraged to develop projects in the documentary sector that appeal to wider audiences across North America and beyond.

New Brunswick film and video firms have not developed significant commercial markets but interviewed conducted for this report suggests there is considerable potential to develop this segment of the market. This would support the growth of the film and video production workforce in the province and provide a dual impact – training for workers that can be then used in the production of feature films, television productions and other larger scale projects.

From the data and interviews with key stakeholders it seems clear the film, video and animation industry needs to elevate its total output in the coming years to achieve a scale that supports an in-province workforce and supply chain and puts the industry on a sustainable path for the future.

Appendix A: Sources and Methodology

1. The Economic Impact Model

The economic impact model is based on the direct and supply chain information published by Statistics Canada. It uses Statistics Canada's Input-Output (I-O) tables to evaluate the direct, indirect, and induced economic impacts based the following parameters:

Direct impact measures the value added to the economy from the film, video and animation industry that is attributed directly from the employees, the wages earned, and the revenues generated.

Indirect impact measures the value added the film, video and animation industry generates within the economy through the demand for intermediate inputs or other support services. This is the supply chain effect.

Induced impacts are derived when employees in the aforementioned industries spend their earnings and owners spend their profits. These purchases lead to more employment, higher wages, and increased income and tax revenues, and can be felt across a wide range of industries.

The I-O tables trace the impact of economic activity (output shock) on the provincial and national economies (including imports and exports). The data is based on existing economic activity patterns in the industries involved in the various provinces. The I-O tables are available at the provincial level and the national level.

The model also estimates the amount of tax revenue generated from the employment income and business spending in New Brunswick resulting from the industry.

For this report, the economic impact model uses the industry group: *NAICS 5121A0 Motion picture and video industries (except exhibition)*.

Statistic	Description
Direct, indirect and induced GDP, employment and labour income estimates	Uses Statistics Canada Input-Output multiplier and impact estimates at the M industry level: NAICS 5121A0 Motion picture and video industries (except exhibition).
Full time equivalent employment (FTE)	An FTE accounts for 2080 hours of work per year.
Personal income taxes paid	Derived using several sources including Statistics Canada CANSIM Table 202-0501 - Income tax, by economic family type and after-tax income quintiles and Table 202-0707 and Statistics Canada Table 203-0001 - Survey of household spending (SHS) for 2012.
HST paid	Based on the ratio of HST collected to total provincial personal income in 2013 (Source: provincial budget documents and CANSIM Table 111-0007).
Property taxes paid (from employment income)	Derived using Statistics Canada Table 203-0001 - Survey of household spending (SHS) for 2013.
Indirect taxes	Source: Statistics Canada Input-Output tables. These indirect taxes are levied on the business activity (not employment income) and include such tax areas as: corporate property taxes, fuel taxes, vehicle license fees, land transfer taxes, and any sales taxes arising out of the corporate activity.

Appendix B: About Jupia Consultants Inc.

New Brunswick, Canada-based Jupia Consultants Inc. is a full service research and planning support consultancy specializing in the area of economic development.

The firm has significant experience developing economic impact models based on Statistics Canada's Input-Output tables. Jupia Consultants Inc. has completed over 40 projects for multiple industries including: shipbuilding, insurance, electronics manufacturing, arts and culture, entertainment, energy, forest products, post-secondary education and information and communications technologies. The firm has a partnership with the Conference Board of Canada and has completed five large scale economic impact projects with the CBoC.

Jupia Consultants Inc. specializes in:

- Economic impact assessments
- Strategic planning
- Socio-economic and industry profiling
- Labour market studies and people attraction strategies
- Competitive intelligence briefings
- Economic assets portals and analysis
- Business retention strategies
- Community branding/marketing
- Community capacity building
- Best practices in economic development
- Downtown development strategies
- Corporate and competitor profiling
- Industry reviews
- Market assessments (geographic and socio-demographic)

For more information visit www.jupia.ca or contact David Campbell at 506-874-3797.

Appendix D

Jurisdictional Scan - Provincial Funding Agencies

Organization	Development Loans	Equity Investment	Refundable Tax Credit Program (with budget line item) for Film & Television	Refundable Tax Credit Program (with budget line item) for New Media	Production Grants	Other Programs/grants
New Brunswick Arts & Cultural Industries (NB Multimedia Initiative)	<ul style="list-style-type: none"> Up to 50% of the budget for drama development and 40% for other genres. (repayable once project goes into production)	NO	NO (1)	NO (1)	<ul style="list-style-type: none"> NB Multimedia Initiative: up to 25% - 30% of provincial spend. 	<ul style="list-style-type: none"> Promotional Travel Assistance Program; Short Film Venture Program; Strategic Initiative Program.
Film & Creative Industries Nova Scotia	<ul style="list-style-type: none"> Up to 50% of the budget expended in Nova Scotia to a maximum of \$15,000; Up to \$5,000 per project for Documentary and Variety one-offs. (repayable once project goes into production)	<ul style="list-style-type: none"> For production budgets under \$500,000: up to 40% of the production budget spent in Nova Scotia to a maximum of \$150,000; For production budgets of \$500,000 to \$1,000,000: up to 33% of the production budget spent in Nova Scotia to a maximum of \$200,000; For production budgets over \$1,000,000: up to 20% of the production budget spent in Nova Scotia to a maximum of \$250,000; Related industry support: <ul style="list-style-type: none"> Eastlink TV Independent Production Fund for animated or live-action production - 20% of production budget up to \$300,00; Independent Production Fund - Web drama series program. 	<ul style="list-style-type: none"> 50% of eligible NS labour (no maximum); an additional 10% regional bonus if principal photography is done outside metro Halifax; a further 5% of eligible NS labour on third film produced within two years. 	<i>The Lesser of:</i> <ul style="list-style-type: none"> 50% of eligible Nova Scotia labour, plus 10% of eligible expenditures for productions outside the metro Halifax; <p style="text-align: center;">OR</p> <ul style="list-style-type: none"> 25% of total Nova Scotia expenditures, plus 5% of eligible expenditures for productions outside the metro Halifax area. 	N/A	<ul style="list-style-type: none"> Market & Festival Assistance Program; Professional Development Assistance Program; Short-to-Feature Program; First Feature Program - up to 49% of production costs to a maximum of \$60,000; Audiovisual event sponsorship program; Partnerships in training.

Organization	Development Loans	Equity Investment	Refundable Tax Credit Program (with budget line item) for Film & Television	Refundable Tax Credit Program (with budget line item) for New Media	Production Grants	Other Programs/grants
Newfoundland and Labrador Film Development Corporation	<ul style="list-style-type: none"> Up to 33% of the budget.(repayable once project goes into production) 	<ul style="list-style-type: none"> Funding of up to 20% of the overall costs of the project. 	<ul style="list-style-type: none"> 40% of eligible Newfoundland and Labrador labour to a maximum of 25% of total production costs; Maximum tax credit of \$4 million per 12 month period. 	NO	N/A	<ul style="list-style-type: none"> Promotional travel program; Marketing and distribution program; Workshop assistance program; Professional Development Program.
OMDC	<ul style="list-style-type: none"> Up to \$25,000 for the final development stage. (repayable once project goes into production) 	<ul style="list-style-type: none"> Funding in the form of a repayable advance of up to \$400,000 (based on an exceptional need and assessed on an individual basis). 	<ul style="list-style-type: none"> 35% of eligible Ontario labour (no maximum); Plus 10% of eligible Ontario labour if 85% of principal photography is done outside the GTA; Enhancement for first-time producers: 5% of the first \$240,000 of eligible Ontario labour; Ontario Production Services Tax Credit: 25% of eligible Ontario production expenditures (no maximum). 	<ul style="list-style-type: none"> 40% of eligible Ontario labour directly attributable to interactive digital media products (no maximum) and eligible marketing and distribution expenditures (maximum \$100,000); <p style="text-align: center;">OR</p> <ul style="list-style-type: none"> 35% of eligible Ontario labour directly attributable to interactive digital media products for service-for-fees products (no maximum); <p style="text-align: center;">OR</p> <ul style="list-style-type: none"> 35% of eligible Ontario labour directly attributable to the development of eligible digital games for large game companies (no maximum). 	N/A	<ul style="list-style-type: none"> Export Fund; Industry Development Program.

Organization	Development Loans	Equity Investment	Refundable Tax Credit Program (with budget line item) for Film & Television	Refundable Tax Credit Program (with budget line item) for New Media	Production Grants	Other Programs/grants
Creative Saskatchewan	<ul style="list-style-type: none"> Up to \$45,000 per project (or a total of \$70,000 per parent company with multiple projects) per fiscal year; Pre-development: Max \$5,000; First Draft: Max \$25,000; Final Draft: Max \$15,000. <p>(conditionally non-repayable)</p>	<p>NO</p>	<p>NO (1) (cancelled in 2012)</p>	<p>NO</p>	<ul style="list-style-type: none"> Financial support equal to 30% of all eligible Saskatchewan expenses to a maximum of \$250,000. 	<ul style="list-style-type: none"> Market Travel Grant
Manitoba Film and Music	<ul style="list-style-type: none"> Up to \$40,000 per project for scripted, fictional, multi-episode programming; Up to \$25,000 per project for scripted fictional Movies-of-the-week and pilots; Up to \$10,000 per project for Documentary and Variety multi-episode programming; Up to \$5,000 per project for Documentary and Variety one-offs. Television and web-based development fund (recoverable loan); Pitch readiness program (recoverable loan) <p>(repayable once project goes into production)</p>	<ul style="list-style-type: none"> Up to \$500,000 for fictional series or mini-series; Up to \$165,000 for fictional movies-of-the-week or pilot; Up to \$125,000 for documentary and variety programming series and mini-series; Up to \$50,000 for documentary and variety programming one-offs and non-scripted pilots. 	<p>Producer's choice: <i>Either:</i></p> <ul style="list-style-type: none"> 45% of eligible Manitoba labour (no maximum); plus 5% of eligible Manitoba labour if 50% of principal photography is done outside of Winnipeg; plus 10% of eligible Manitoba labour on a third film produced within two years; plus 5% of eligible Manitoba labour if a Manitoba resident is credited as a producer, co-producer or executive producer; <p>OR</p> <ul style="list-style-type: none"> 30% of eligible Manitoba production expenditures (no maximum). 	<ul style="list-style-type: none"> 40% of eligible labour for prototyping and product development and up to \$100,000 of eligible marketing and distribution expenses (maximum \$500,000 per project). 	<p>NO</p>	<ul style="list-style-type: none"> Feature Film Marketing Fund; Emerging Talent-micro budget Fund; Access to Markets & Festivals Fund;

Organization	Development Loans	Equity Investment	Refundable Tax Credit Program (with budget line item) for Film & Television	Refundable Tax Credit Program (with budget line item) for New Media	Production Grants	Other Programs/grants
SODEC	<ul style="list-style-type: none"> Up to \$15,000 for feature documentaries and \$20,000 for feature fiction under the Writer/Director program; 49% of development costs up to \$50,000 under production company programs.(repayable or recoupable once project goes into production) 	<ul style="list-style-type: none"> Up to 49% to a maximum of \$2M per project for regular programs; A maximum of \$500,000 for Writer/Director program. 	<ul style="list-style-type: none"> 28% of eligible Québec labour; 8% bonus for certain productions in the French language; 8% bonus for computer graphic animation and special effects; 25% for regional production (outside Montreal); Quebec Production Services Tax Credit: 25% of eligible Quebec production expenditures (no maximum). 	<ul style="list-style-type: none"> 21% to 24% of eligible labour; plus a 6% premium for eligible French language versions. 	N/A	<ul style="list-style-type: none"> Export Program (50% of eligible costs up to a maximum of \$100,000); Promotion and Distribution Fund (can be either a grant or a repayable loan at 50% recoverability - negotiated basis).
Alberta Film/Alberta Cultural Industries	<ul style="list-style-type: none"> Up to \$55,000 per project (or a total of \$70,000 per parent company with multiple projects) per fiscal year: Pre-development: Max \$15,000; First Draft: Max \$25,000; Final Draft: Max \$15,000. <p>(non- repayable)</p>	NO	NO (1)	NO	<ul style="list-style-type: none"> 25% to 30% per cent of Alberta spend for all productions; Flexible grant equivalent to a labour-based tax credit of 45% to 55%; \$5 million per-project cap. 	<ul style="list-style-type: none"> Export market development; Training and mentorship.

Organization	Development Loans	Equity Investment	Refundable Tax Credit Program (with budget line item) for Film & Television	Refundable Tax Credit Program (with budget line item) for New Media	Production Grants	Other Programs/grants
Creative BC	<ul style="list-style-type: none"> Funding of up to 50% depending on genre with individual project caps; (non-repayable) 	NO	<ul style="list-style-type: none"> 35% of eligible BC labour (maximum 21% of total production cost); 12.5% of pro-rated eligible BC labour if more than 50% of principal photography is done outside the GTVA; 6% of pro-rated eligible BC labour for principal photography in a prescribed area if eligible for the regional credit; 3% of eligible BC trainee labour (maximum 30% of trainee salaries); BC Production Services Tax Credit: 33% of eligible BC labour expenditure (no maximum). 	N/A		<ul style="list-style-type: none"> Capital program tax credit (new media venture capital); Slate development fund (private) - \$25,000 non-repayable; Market development assistance; Interactive media development fund - up to \$50,000; Arts innovation fund \$25,000.

* Recoupment for all provinces according to Telefilm Canada and Canadian Media Fund's recoupment schedule (see Annex 1 below)

(1) The provinces of Alberta, New Brunswick and Saskatchewan have a contribution in the form of a non-recoverable grant.

Annex 1

TELEFILM CANADA & THE CANADA MEDIA FUND'S RECOUPMENT SCHEDULE

	PRODUCER (PROVINCIAL TAX CREDITS)	PRODUCER (FEDERAL TAX CREDITS)	CANADA MEDIA FUND	OTHER FINANCIAL PARTICIPANTS
Tier 1 (200% of provincial tax credits)	100% of the provincial tax credit participation (equal to 50% of total net revenue in Tier 1)	% = tax credit participation as % of recoupable sources of production financing multiplied by 50%	% = CMF's Equity as % of recoupable sources of production financing multiplied by 50%	% = financial participation as % of recoupable sources of production financing multiplied by 50%
Tier 2 (balance of recoupable financing)		Balance of federal tax credits	Balance of CMF's Equity	balance of Other Financial Participants' Participation

Appendix E

Description and Public Sector Accounting Treatment of Tax Credits

Refundable versus Non-Refundable Tax Credits

Non-refundable tax credits reduce income taxes payable. They provide relief against taxes paid previously or currently owing. If tax credits are greater than income taxes payable, there are not additional refunds returned to the taxpayer. For example, if a taxpayer has a \$2,000 **non-refundable** tax credit and their income taxes payable is \$1,500, then the value of the **non-refundable** credit they will receive is \$1,500 (amount of taxes payable). In other words, the taxpayer must have income tax payable in order to receive a non-refundable credit. If there is no income tax payable the taxpayer will not receive any portion of the non-refundable credit. (This is not a viable option for this industry at this time)

On the other hand, taxpayers receive the full value of the **refundable** tax credit regardless of the amount of taxes payable. They do not provide relief against taxes paid previously or currently owing. When the total of refundable credits is greater than the income tax payable, a tax refund for the difference is sent to the taxpayer. For example, if a taxpayer has a \$2,000 **refundable** tax credit and their income taxes payable is \$1,500, then the value of the refundable credit they will receive is \$2,000.

Public Service Accounting Board (PSAB)

In the past, there are various government expenses that have traditionally been netted against tax revenue or other revenues (e.g. Film Tax Credit). As such, there was no requirement to report these tax expenditures as expenses in the Province's budget documents or Financial Statements. The related revenue accounts were reported on a net basis, with the expenses deducted from the gross tax revenue, and no separate disclosure of the tax expense portion.

PSAB is the Public Sector Accounting Board of CPA Canada. It was created to serve the public interest by establishing accounting standards for public sector organizations such as the Government of New Brunswick. PSAB also provides guidance for financial and other performance information reported by the public sector.

Over the past few years professional standards have been prescribed by PSAB that articulate more clearly and precisely how tax programs are to be accounted for and disclosed. They provide definitions of what is considered a tax expense, and how governments are to account for them. The standards are to apply to fiscal years beginning on or after April 1, 2012. Specifically, the standards require that transfers made through a tax system be recognized in expenses and not as a reduction of tax revenue. The standards define a tax transfer as a tax incentive that does not change the amount of the tax liability of the taxpayer. That is, the tax transfer does not provide relief against taxes paid previously or currently owing.

In the interest of proper disclosure of revenue and expense amounts, since 2012, the Government of New Brunswick has moved towards adopting the PSAB standards and made a change in how tax transfers are budgeted and reported. Tax transfers are now budgeted and reported by the relevant sponsoring department as expenditure programs and no longer netted from tax revenue. This reporting treatment provides for both transparency and accountability. In addition, it provides an incentive to tighten inefficient tax transfers as the departments responsible for the expenditure will have the ability to reform tax transfers when seeking potential savings.

Given that the film tax credit would need to be a refundable credit, that is the taxpayer would not need to have taxes owing in order to benefit from the credit, (i.e. it does not provide relief against taxes paid previously or currently owing), then this tax credit would be considered, under PSAB standards, a tax transfer and thus recognized in expenses within the sponsoring department (e.g. Tourism, Heritage and Culture).

Appendix F

List of all parties consulted

Our review was collaborative with industry producers, stakeholders and other relevant organizations:

Feb 6 - Initial Consultation Meeting

Attendance:

Atlas Films
Appfrogs
Bear Paw Productions
Botsford Productions Inc
CinImage Productions
Connections Productions
Digital Cut Inc.
Flic Studios Inc.
Frame Rates
Hemmings House Pictures
Jben Productions
Les productions Bellefeuille
Les productions Dayo
Les Productions Grana Productions Inc.
Les productions imagique Inc.
Lintu Media
Loogaroo
Molto Italiano Films Productions
Mozus Productions
News-Cast.com
Outreach Productions
Phare-Est Media Inc.
Productions Appalaches
Productions Ciné-Atlantik
Productions du Milieu
Shore Road Pictures Inc.
Silver Fox Productions Inc.

Additional Consultations:

MediaNB
AAAPNB
ArtsLink
NB Film Co-op
The Screen Industry Unions of New Brunswick
Writers Guild of Canada
Canadian Media Production Association
Théâtre l'Escaouette
Ray Wilson – Former FilmNB Executive
Louise Imbeault – Former Radio-Canada Executive
Bear Paw Productions
Botsford Productions Inc
CinImage Productions
Connections Productions
Flic Studios Inc.
Flower Power Production Inc.
Hemmings House Pictures
Loogaroo
Mozus Productions
Les Productions Grana Productions Inc.
Productions du Milieu Inc
Phare-Est Media Inc.
The Postman

Economic Assessments:

Government of New Brunswick – Department of Finance
David Campbell - Jupia Consultants Inc.