

Impact Assessment: Increasing Infrastructure Capacity

Final version

Presented to:



Nicolas Plante, Partner, Management Consulting
Éric Julien, Partner, Taxation
Jean-Philippe Brosseau, Senior Manager, Management Consulting
Valérie Trudelle, Tax Manager
Ariane Michaud, Consultant, Management Consulting
May 6, 2021



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Mr. Pierre Moreau
Chief Executive Officer
Quebec Film and Television Council
204, Rue du Saint-Sacrement, Suite 500
Montreal (Quebec) H2Y 1W8

**Raymond Chabot
Grant Thornton & Co L.L.P.**
Suite 2000
National Bank Tower
600 De La Gauchetière Street West
Montréal, Quebec
H3B 4L8

T 514-878-2691

Subject: Report – Impact Assessment: Increasing Infrastructure Capacity

Dear Mr. Moreau,

We are pleased to submit our report on the mandate mentioned above.

We would like to acknowledge the outstanding cooperation of all the people we met during the course of the mandate.

We thank you for your confidence in us and we remain at your disposal for any further assistance or to support you in pursuing your goals.

For more information, please contact Nicolas Plante at 514-954-4633 or Jean-Philippe Brosseau at 418-647-5413.

We hope to have the opportunity to work with you on your challenges.

Sincerely yours,

Nicolas Plante
Partner – Management Consulting

Jean-Philippe Brosseau
Senior Manager – Management Consulting

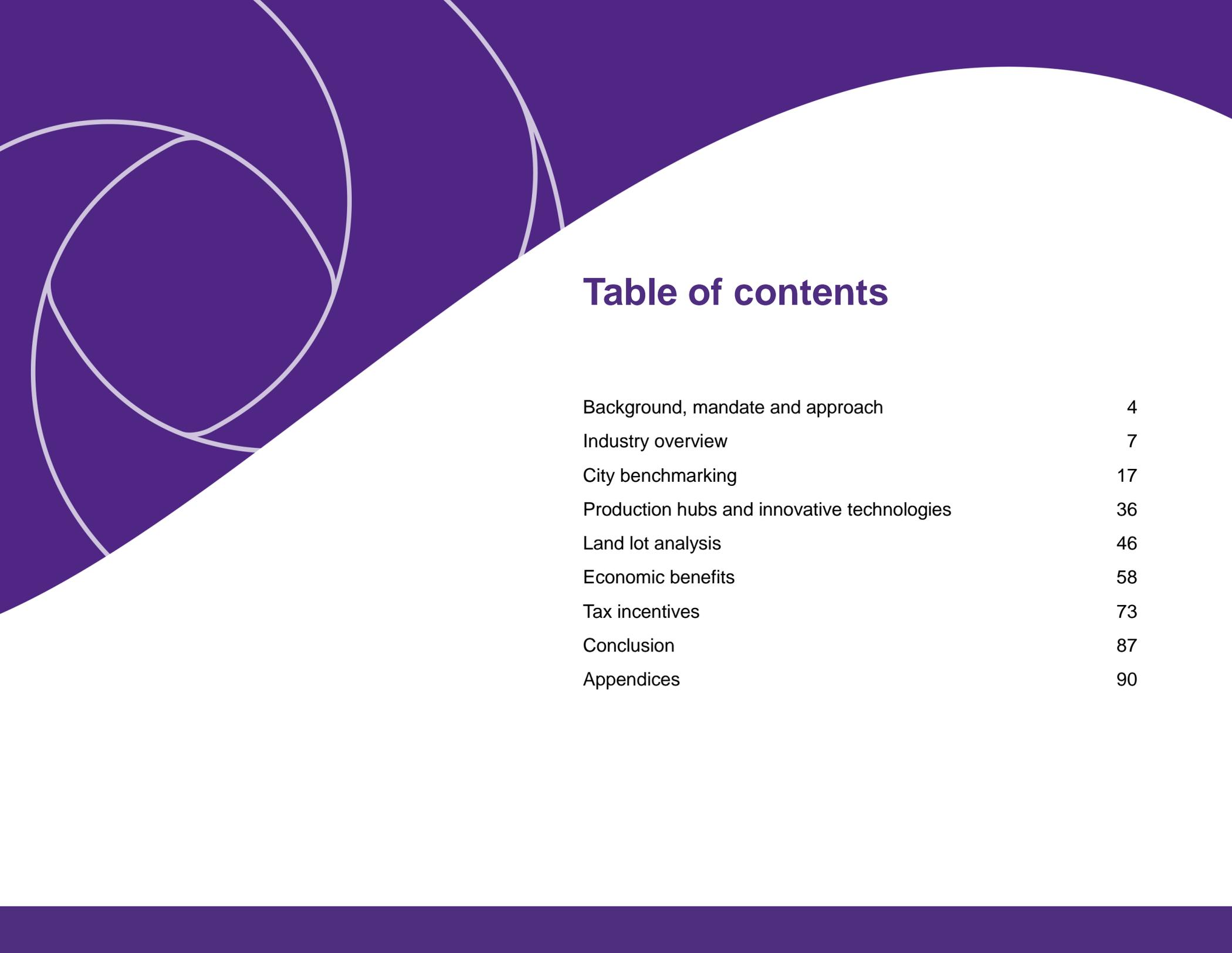


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Background, mandate and approach

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Summary of the study's background and objectives

As an economic development agency, the QFTC contributes to Quebec's development and competitiveness as a world-class multi-screen production hub. In its most recent industry report published on February 4, 2021, the QFTC forecasts continued growth in production volume in Quebec, thanks to foreign productions in particular. The organization predicts that the total volume will exceed \$2.2 billion in 2023.

Despite the industry's vitality, stakeholders agree that the increase could have been greater if Quebec, and more specifically the Montreal region, had a larger capacity. The major Montreal film studios are at full capacity and foreign productions are frequently turned down. Discussions between the QFTC and major industry players (Netflix, Amazon, HBO, Disney, Apple TV) indicate their interest in filming their productions in Quebec, provided that studios are available.

Meanwhile, major studios continue to invest in Toronto and Vancouver, two cities that often compete with Montreal as filming locations. For example, major industry players like Pinewood and Cinespace have announced the expansion of their Toronto facilities in the coming years.

With this in mind, the QFTC hired Raymond Chabot Grant Thornton to conduct a study aimed at promoting the growth of Quebec's audiovisual industry and attracting more foreign productions to the province.

More specifically, the study objectives were:

1. Benchmarking available studio space and past and/or future studio investments in the competing cities of Toronto, Vancouver, New York and Atlanta.
2. Creating a profile of the characteristics of new audiovisual production infrastructures, documenting the investment costs required for a new studio and identifying available land in the Montreal metropolitan area.
3. Assessing the potential economic benefits in terms of value added to GDP and jobs created related to the expansion of the production infrastructure.
4. Conducting a review of available tax incentives for the audiovisual production sector and making recommendations for adapting them.

The study's partners



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Foreign productions make up 18% of film and television production volume in Quebec

Film and television production in Quebec was estimated at almost \$2 billion in 2019. This includes the production of feature films, documentaries, television series and television productions.

Local productions have the largest share of the audiovisual industry in Quebec. \$1B was spent in 2019, which is 51% of the total Quebec volume.

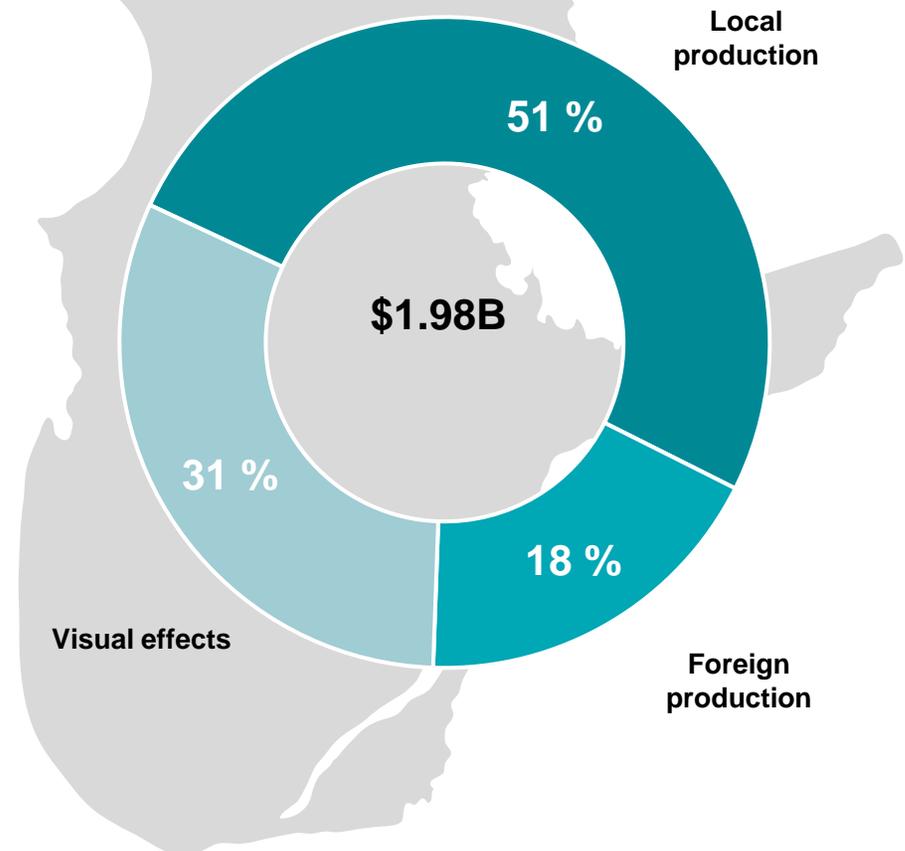
Quebec stands out for its visual effects (VFX) offerings. Montreal is one of the world's leading hubs. The estimated volume of VFX services in 2019 was \$622M. Foreign productions account for 18% of the production volume in Quebec, or \$360M.

The key industry trend observed over the past years is the change in distribution and consumption methods.. The increase in video consumption on streaming platforms has come at the expense of cable TV consumption. This change in consumption strongly affects the industry profile, as outlined on the following pages.

Sources: QFTC, RCGT Analysis

Distribution of film and television production volume in Quebec

Quebec, 2019, in % of total volume and in \$.



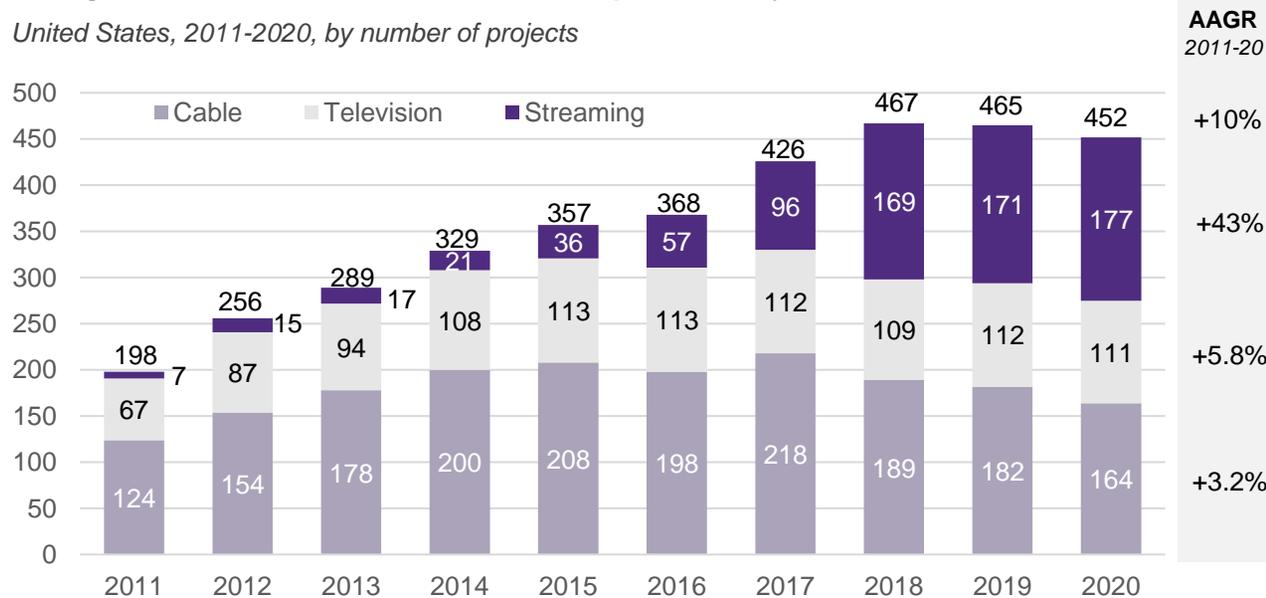
Media content consumption is migrating to streaming platforms and rising overall

The consumption of movie content has shifted to subscription on streaming platforms at the expense of movie theatres and DVD sales, which have seen a sharp decline in recent years. In addition, it has been noted that the number of television series produced has increased sharply, averaging 10% per year in the United States since 2011. This format is quickly gaining momentum within the industry and is creating structural changes in the demand for shooting space. The length of time a studio is occupied for a series is longer than for a feature film, but it also ensures that the space will be occupied in the future for subsequent seasons.

Coupled with an overall growing demand for content, the need for filming locations and studios has increased significantly and will not slow down in the coming years.

Changes in the number of television series produced by studios in the United States

United States, 2011-2020, by number of projects



Sources: FilmLA Inc., Nielsen, RCGT Analysis

Impact of COVID-19

The production slowdown observed in 2020 is due to the COVID-19 pandemic that struck in March 2020. Although there were fewer shoots, the consumption of digital content exploded.

According to Nielsen, time spent watching content on streaming platforms increased from an average of 81.7 minutes per week in 2019 to 142.5 minutes in 2020. This is a 74% increase.

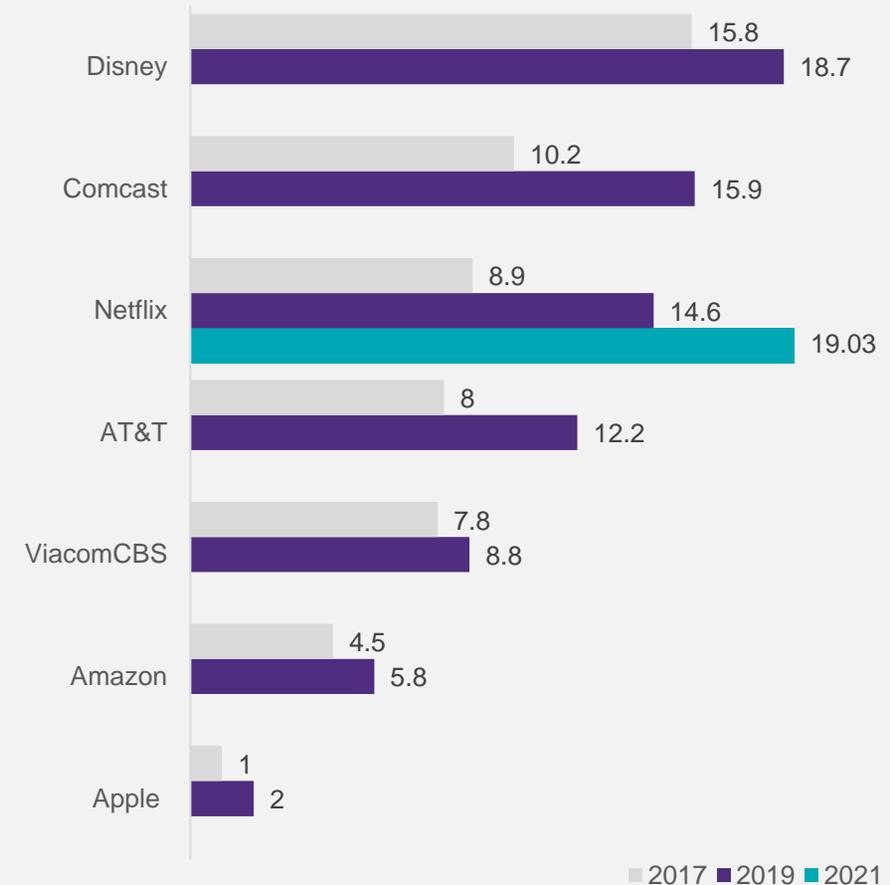
The primary driver of the growing demand for production studios is related to the “Netflix effect”

As media content consumption increasingly migrates to streaming platforms, streaming companies have significantly increased their spending over the past few years.

- Companies such as Netflix, Amazon Video and Hulu have not only acquired many productions, but they have also greatly increased their in-house productions to meet the growing demand. As a result, the demand for filming locations has exploded; this can be described as the “Netflix effect.”
- In 2017, Netflix’s budget and expenses were valued at US\$8.9 billion. Since then, that figure has more than doubled: the budget is estimated to have reached \$19 billion for 2021.
- This upward spending trend is also observed among the other SVOD giants. Disney increased its spending by 18% between 2017 and 2019 and Comcast by 56% over the same period.
- This strong competition between SVOD providers is often referred to as “the streaming war.”

Estimated annual production expenses by company

World, 2017-2019-2021p, in US\$B



Data for 2021 is currently only available for Netflix

Sources: Deloitte, Statista, Colliers, RCGT Analysis

Global revenues will reach US\$127 billion by 2025 and the Streaming Wars will not slow down

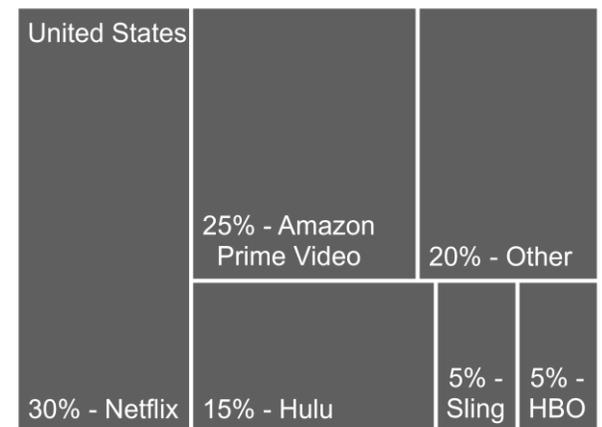
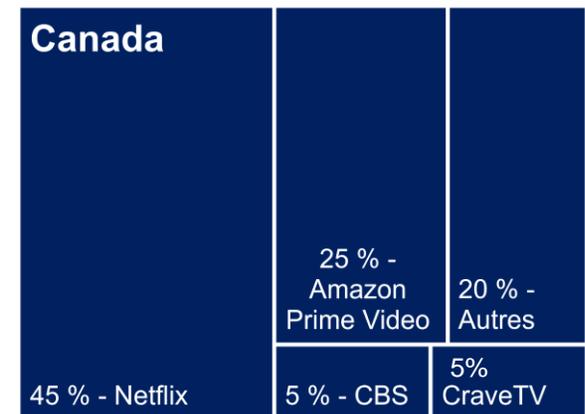
The growing demand for new television content was intensified by the COVID-19 pandemic. Although the growth in media content consumption will not be as high in the coming years, the overall trend will continue.

93% of streaming platform consumers plan to keep their subscriptions after the pandemic. Revenues from streaming platforms are expected to reach US\$127 billion by 2025, with 41% of that being in North America.

The growing market is attracting new providers, as seen by Disney+ and Apple TV entering the market in 2019 and HBO Max in 2020.

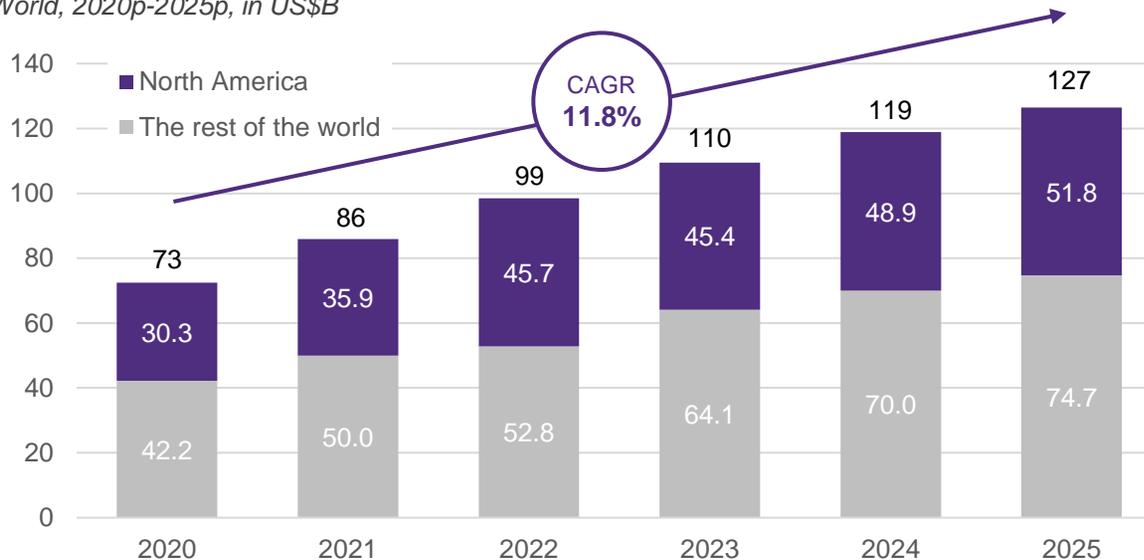
Video-on-demand platform audience shares by country

Canada and United States, 2019



Projected revenues for video on demand

World, 2020p-2025p, in US\$B



Sources: Statista, Nielsen, RCGT Analysis

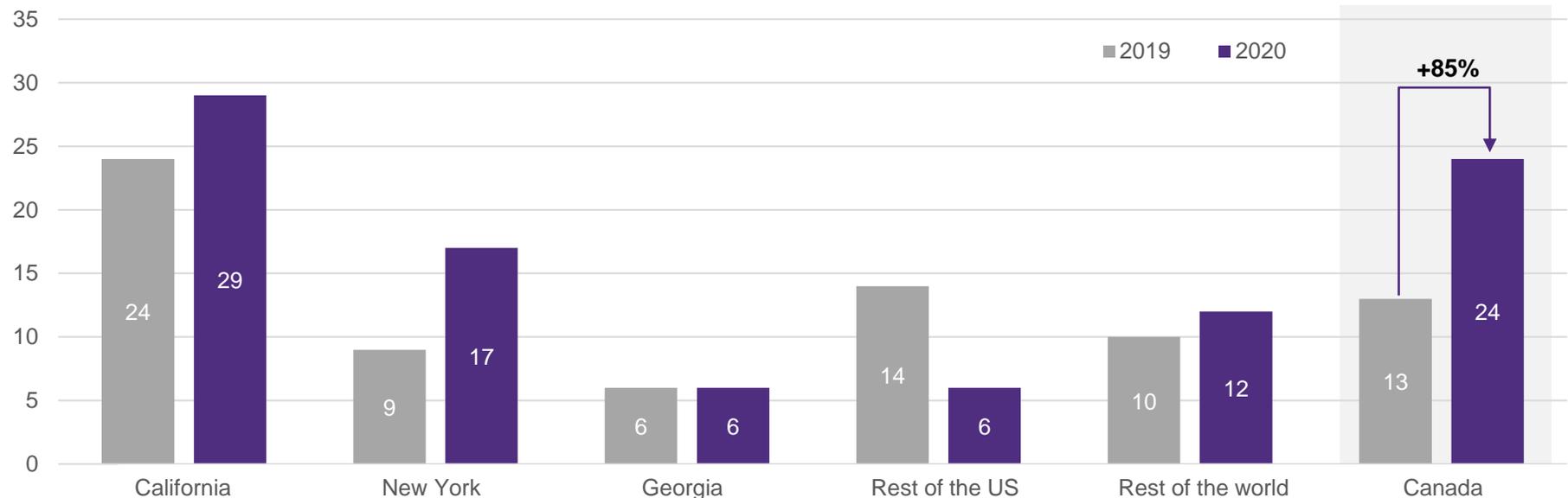
Streaming platforms are pursuing more television series projects and frequently travel to Canada for filming

Due to the growth in the consumption of television productions on streaming platforms, the number of projects has increased dramatically worldwide. Streaming platforms launched 94 new television series projects in 2020. This compares to 76 new series projects in 2019 and 41 in 2018. These years also represent a turning point for the industry, as television series projects for streaming platforms have surpassed series projects undertaken by television and cable channels.

Canada, and particularly Vancouver, is directly benefiting from this surge in growth. In 2020, 24 new television series projects began shooting in Canada, an 85% increase since 2019.

Number of new SVOD TV projects by shooting location

World, 2019-2020, in number of new projects



Sources: FilmLA Inc., RCGT Analysis

Canada is one of the most popular on-location filming sites, a complementary option to studio filming

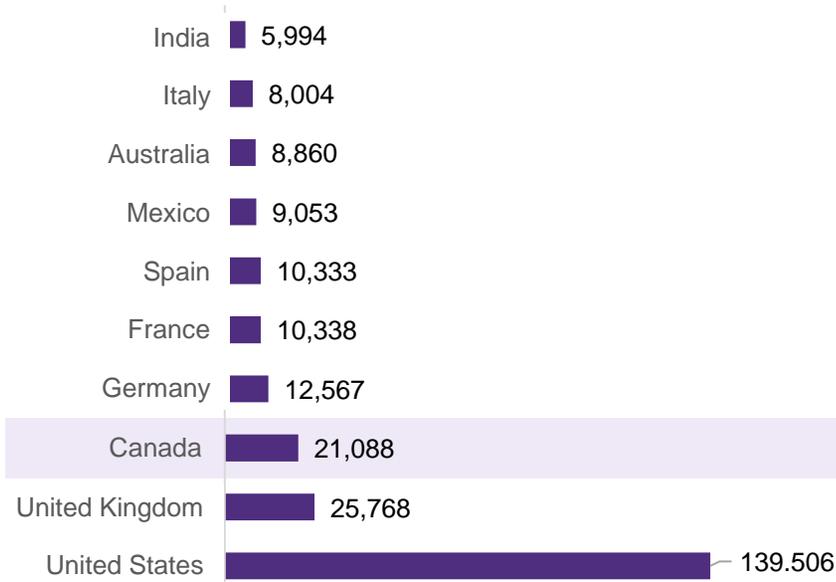
Canada not only hosts a significant number of studio shoots, but is also one of the most filmed on-location sites. These are shoots done in public spaces, for example, and not in studios or on a backlot. This provides a complement to studio sets.

Of the films listed on IMDb that were shot in the last 20 years, over 21.000 were shot on-location in Canada. This ranks Canada third in the world, after the United Kingdom and the United States.

The Vancouver and Toronto areas are also the most filmed on-location sites in the world, with 442 and 389 films listed on IMDb respectively.

Number of films shot on-location by country

World, 2000-2020, top 10, in numbers



Sources: GoCompare, IMDb, RCGT Analysis

Number of films shot on-location by region

World, 2000-2020, top 15, in numbers



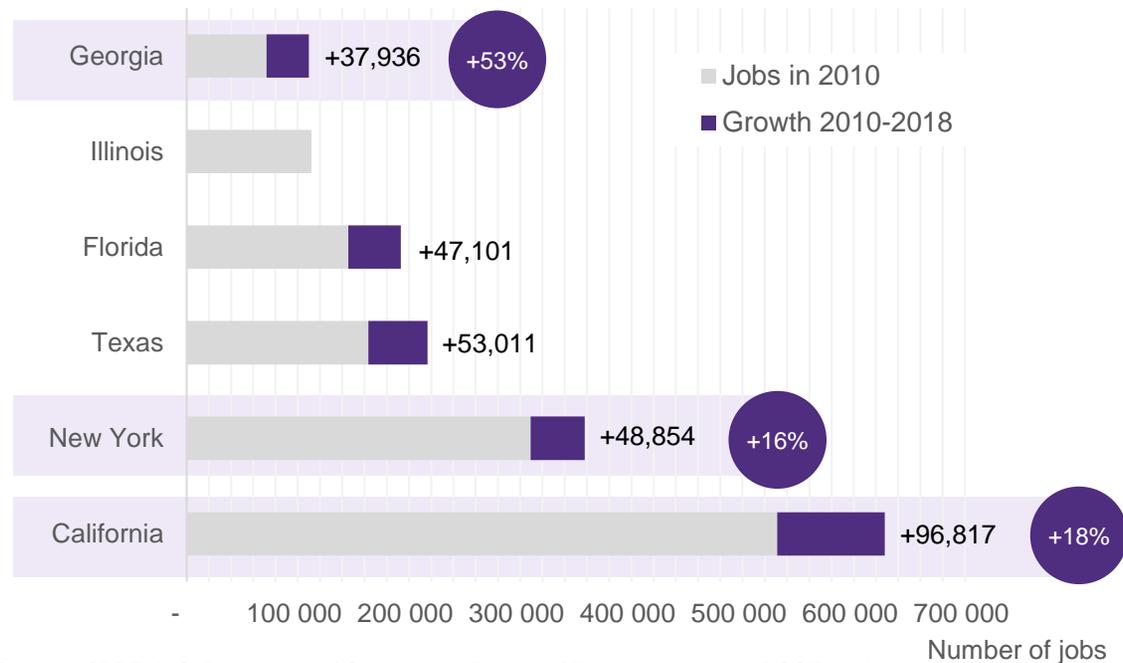
U.S. states that are home to major studios experienced the greatest growth in entertainment jobs

The entertainment industry plays an important role in the U.S. economy. With Hollywood as global film and television industry hub, California employs over 628,000 workers in the entertainment industry. New York is also home to a significant number of jobs in the sector, with 358,120 workers in 2018.

The states with the greatest number of film studios are also the ones that have experienced higher growth in entertainment industry jobs. Job growth in the states of California, New York and Georgia was 96,817; 48,854 and 37,936 jobs respectively between 2010 and 2018.

Changes in entertainment employment in the states with the most jobs in the sector

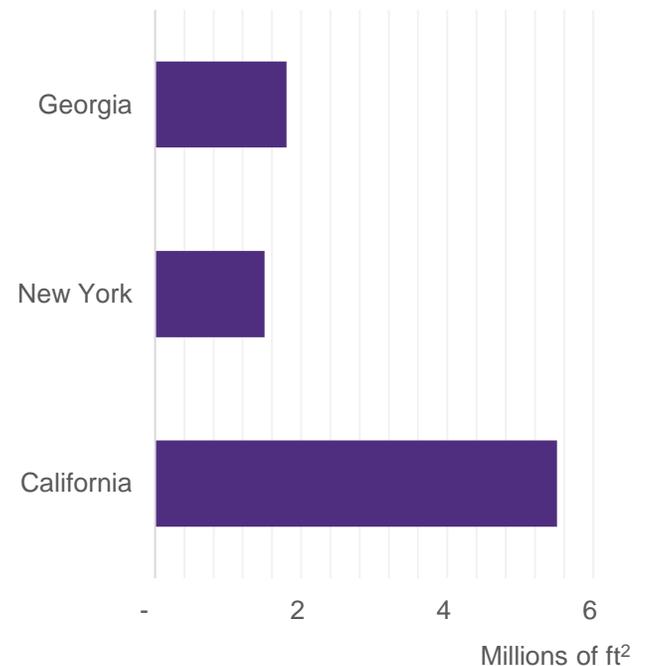
United States, 2010-2018, top 6, in number of jobs, % growth



Sources: CBRE, U.S. Department of Commerce – Bureau of Economic Analysis, RCGT Analysis

U.S. states with the most available studio space

United States, 2020, top 3, in 000,000 ft²



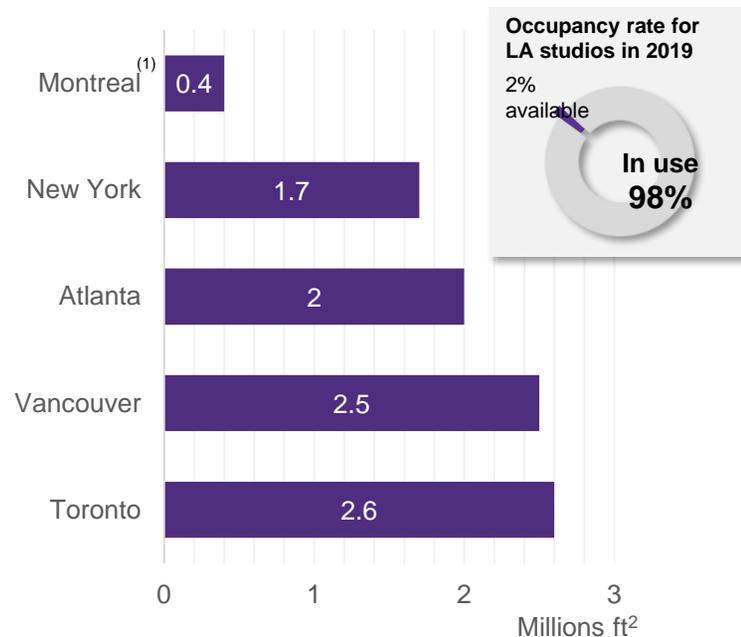
With the studio occupancy rate in LA reaching almost 100%, demand for studios is migrating to cities with Class A studios

The heart of the Western film industry is in Hollywood, Los Angeles. Growing demand for on-demand video content, the *Streaming Wars* and an increase in series occupying studios for a longer period of time have resulted in Los Angeles studio occupancy rates reaching nearly 100% since 2016. Due to the lack of available space, especially in Class A studios, the streaming giants are turning to other cities for their shoots.

After Los Angeles, Toronto is the North American city with the most studio space with 2.6 million ft², followed by Vancouver with an estimated 2.5 million ft². New York has a multitude of small and medium-sized studios totalling 1.7 million ft².

Available studio space by city

North America, 2019, 2011, in 000,000 ft²



Available surface area and number of stages available by city

North America, 2019, 2021, in number of stages, bubble size based on ft²



(1) Total number of stages listed by the QFTC.

Sources: QFTC, Deloitte, CreativeBC, FilmLA, Toronto, RCGT Analysis

Production growth in Canada is mainly fuelled by foreign productions

The number and size of foreign productions in Canada has increased significantly, especially since 2016. According to FilmLA, that was also the year that the studio shortage intensified.

Although Canadian studios still host many Canadian productions, the growth in production volume has been due almost exclusively to foreign productions, with an average annual growth rate (CAGR) of 13.9% between 2010 and 2019.

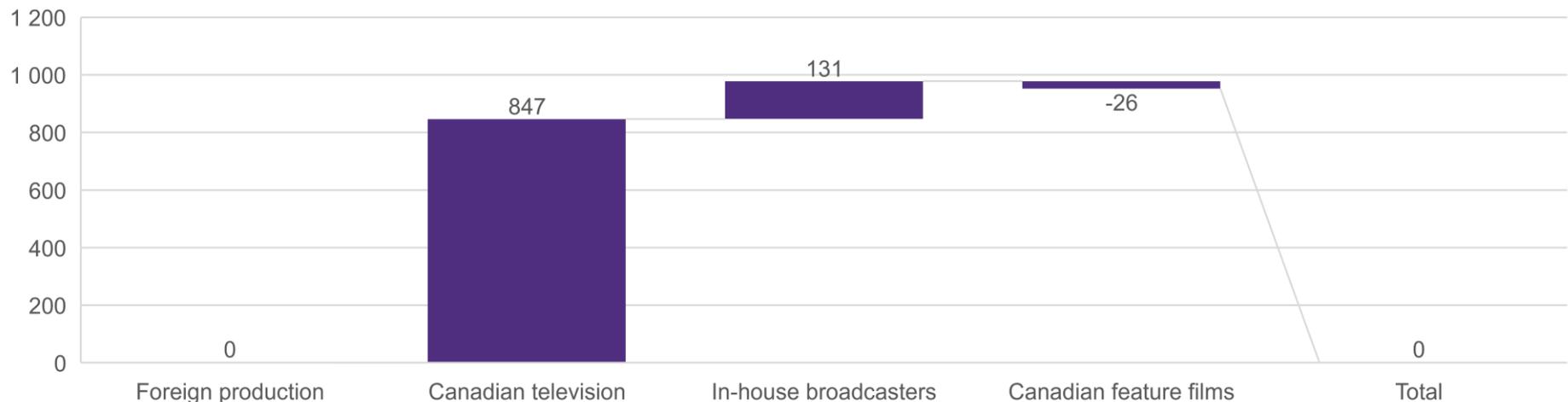
Since Vancouver and Toronto boast modern infrastructures and have adapted their know-how and work methods to American practices, productions from the United States often choose these cities as locations.

*“Canada’s Content Boom Sparks a Race for Shooting Space: ‘The Global Demand Is So High’ (...)
“With no end in sight for the production surge north of the border, facilities from Vancouver to Toronto are scrambling to meet demand.”*

The Hollywood Reporter
February 2021

Sources of growth in total production volume in Canada

Canada, 2010 to 2019, in \$000,000



Sources: CMPA, The Hollywood Reporter, FilmLA, RCGT Analysis

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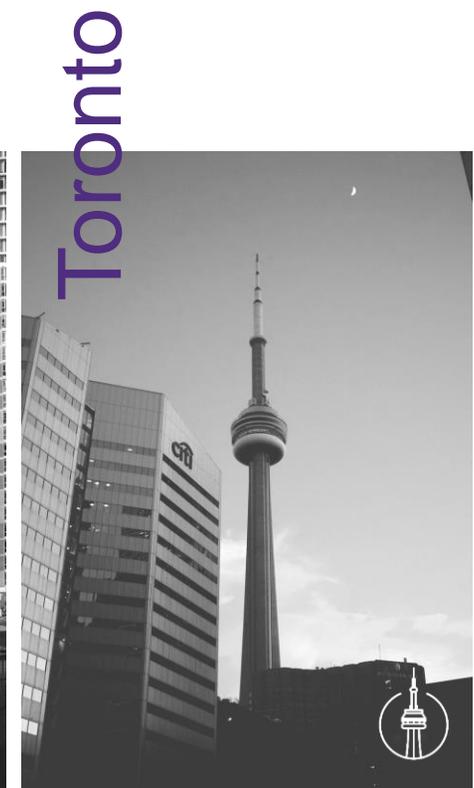
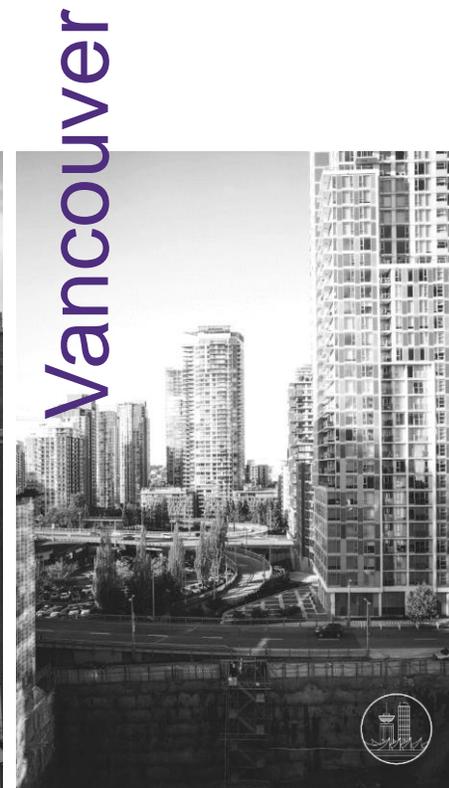
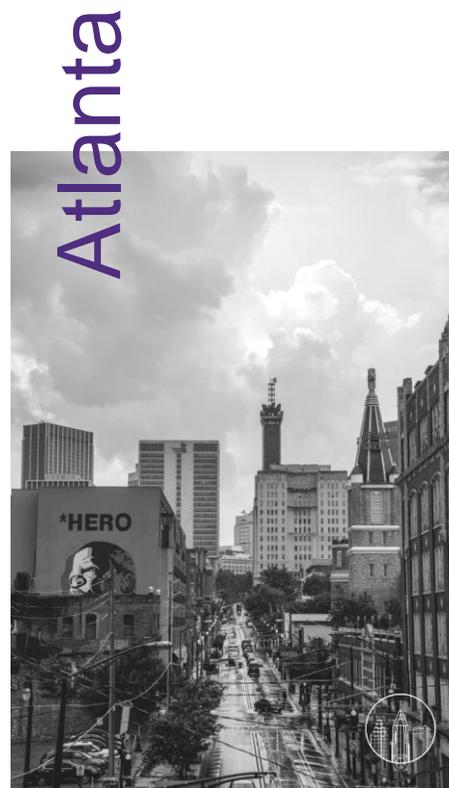
Conclusion

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In North America, four cities stand out for their capacity to host film and television production

Several cities in North America have become benchmarks for filming movies and television shows. New York, Atlanta and Los Angeles are the U.S. cities that host the largest number of productions. Due in part to substantial financial incentives, proximity and similarity to U.S. cities, Vancouver and Toronto are home to several major studios and are leading cities in the industry.

These four cities that compete with Montreal in terms of large-scale film production infrastructure will be analyzed more closely in this study.



Sources: Unsplash, RCGT Analysis

New York is the 2nd most important city in the North American market



NY IS THE HEART OF THE INDUSTRY ON THE EAST COAST, BUT THERE IS NO STUDIO SPACE OVER 30,000 FT² AVAILABLE

Often called the “Hollywood of the East,” New York City offers over 1.7 million ft² of shooting space. The number of stages varies depending on the source. According to the City of New York, there are more than 130 stages, while Deloitte estimates the number of stages at 126 and FilmLA puts the number closer to 200. The stage offerings in New York City consist mainly of small and medium-sized stages due to the density of the city and the lack of space. The sheer number of small stages could explain the discrepancies between the various available sources. In addition, only 52 downtown stages qualify for tax benefits and are classified as Qualified Production Facilities (QPFs).

“Soundstage owners report being near full capacity. Steiner Studios’ occupancy level is about 95 percent.”

New York Times, Dec. 4, 2020

Studios	Total stage surface area (ft ²)	Stage size (ft ²)	Number of stages	Total surface area (ft ²)	Description
Kaufman Astoria Studios	130,000	4,000 to 26.040	10 stages	500,000 ⁽¹⁾	Kaufman Astoria Studios is the only studio complex in New York City to offer backlot spaces, i.e., outside. The studio’s involvement in the local community is outlined on page 38.
Steiner Studios	256,045	4,800 to 27.300	21 stages	760,000 ⁽¹⁾	Steiner Studios is comparable to Los Angeles studios in terms of size. Of their 21 stages, five include a cyclorama. The largest stage in New York (at 27,300 ft ²) is located at Steiner Studios.
Silvercup Studios	263,250	2,700 to 18.000	23 stages	n/a	Silvercup’s 23 stages are spread across three locations, two on Long Island and one in the Bronx.
Broadway Stages	n/a	21,507	60 stages	3,000,000 ⁽²⁾	Broadway Stages studios are located in Brooklyn, Queens and Staten Island. Its 30 sites include a former prison. The studios value discretion and privacy, an important factor in this industry.

Sources: City of New York, ESD New York, FilmLA Inc., Deloitte, Fabien Jouin, Kaufman Astoria, Steiner Studios, Silvercup Studios, Broadway Stages, *New York Times*, RCGT Analysis

(1) Includes Mill workshops, offices, production spaces and other support spaces.

(2) Also includes parking and outdoor spaces.

The growing number of films and series being shot in New York creates capacity issues in the city



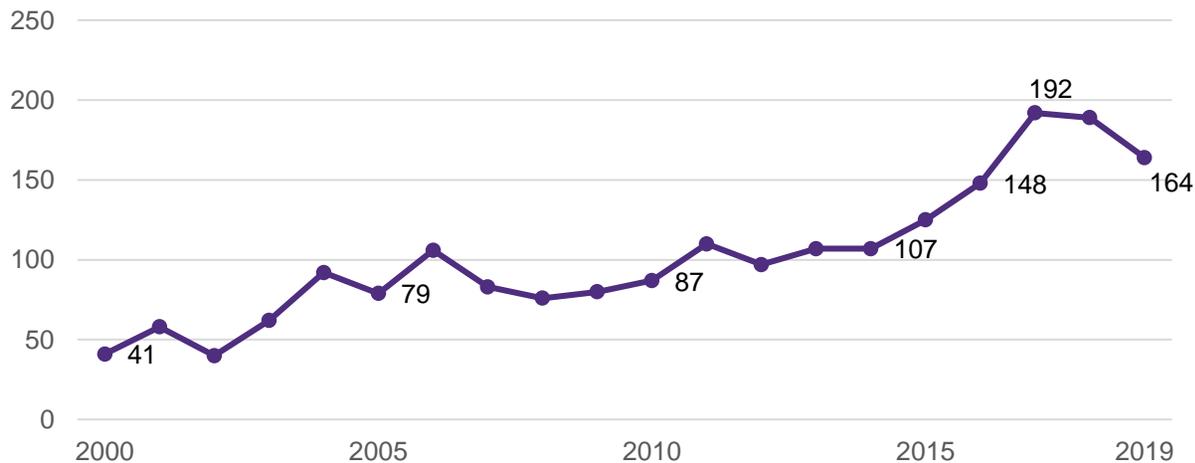
LIMITED SPACE AND HIGH COSTS DON'T SEEM TO DAMPEN THE INDUSTRY'S INTEREST IN NEW YORK

The demand for studios and locations has increased significantly since the year 2000. Only 41 films and series were shot that year, while in 2018 the number was 189. The network of actors, skilled labour, modern infrastructure, and significant investment and funding by the City of New York have contributed greatly to this surge in filming.

However, due to the city's high costs and low supply of large, outdoor shooting spaces, New York also has its weaknesses. Despite these constraints, the film industry is a growth sector of the local economy and has contributed significantly to the economic development of certain areas of the city.

Changes in the number of films and series filmed

New York, 2000-2019, by number of shoots



“Demand for production space will outpace supply by approximately 19% of the expected square footage as consumers watch more content and new streaming media players invest in original content to win eyeballs in the streaming wars.”

Deloitte,
Physical production studios in NYC, 2020

Sources: Gracenote, Deloitte, RCGT Analysis

Despite significant investments planned in New York, the supply of studios will not meet the demand



The number of production studios no longer meets the growing demand for shooting locations. As a result, over 780,000 ft² of studio and workshop space will be added to the portfolio of available studio space in New York as part of over 10 announced expansion projects. Nevertheless, analyses provided by Deloitte estimate that demand will still surpass supply by 2024.

Studios	Size (ft ²)	Developer/Owner	Scheduled completion date	Description
Wildflower Studio	650,000	Area Commercial Real Estate Management & Wildflower Partners	Construction began in the summer of 2020	The studios will be located in the Astoria neighbourhood in Queens. Funded in part by Robert De Niro, the cost of the project to redevelop a warehouse is estimated at US\$72M.
Lionsgate	109,000	National Resources	n/a	In the city of Yonkers, north of New York City, \$100 million in financing was secured for three studios, one of which is 20,000 ft ² .
Netflix	161,000	Steel Equities	2024	Netflix has begun work on a production hub in Brooklyn that is exclusively for its productions, in a warehouse converted into six studios. The announced investment totals US\$100M.
Jersey City	180,777	Criterion Group	n/a	Two Criterion Group projects were announced for Jersey City, near Manhattan, with one opening in 2020.
Caven Point	135,000	Criterion Group	2020	
Cine Magic	61,000	n/a	2020	Located in Greenpoint, Cine Magic Studios signed a lease in February 2020 for a new shooting location in Long Island City.
Broadway Stages	23,500	n/a	Announced in 2020.	Little information has been released about this expansion, but Broadway Stages is planning to expand into the Long Island City neighbourhood.

The Kaufman Astoria Studios and Steiner Studios expansions are outlined on pages 38 and 40 respectively.

Sources: FilmLA, Deloitte, *New York Times*, *New York Post*, The Real Deal, NYC Production & Post News, RCGT Analysis

Georgia - particularly around the Atlanta area - is welcoming a growing number of productions



Georgia - particularly Atlanta - has seen explosive growth in investment in production space since tax incentives were introduced in 2002 and improved in 2008. The number of jobs in the entertainment industry rose by 53% between 2010 and 2018, an increase of 38,000 new jobs.

Despite the slowdown in shooting and production due to the COVID-19 pandemic, 234 films and television shows were shot in Georgia in fiscal year 2020, representing US\$2.2B in spending. For comparison, in 2019, the number of productions was 399, representing US\$2.9B.

According to Business Facility Magazine, Georgia ranks first for shooting locations in the United States.

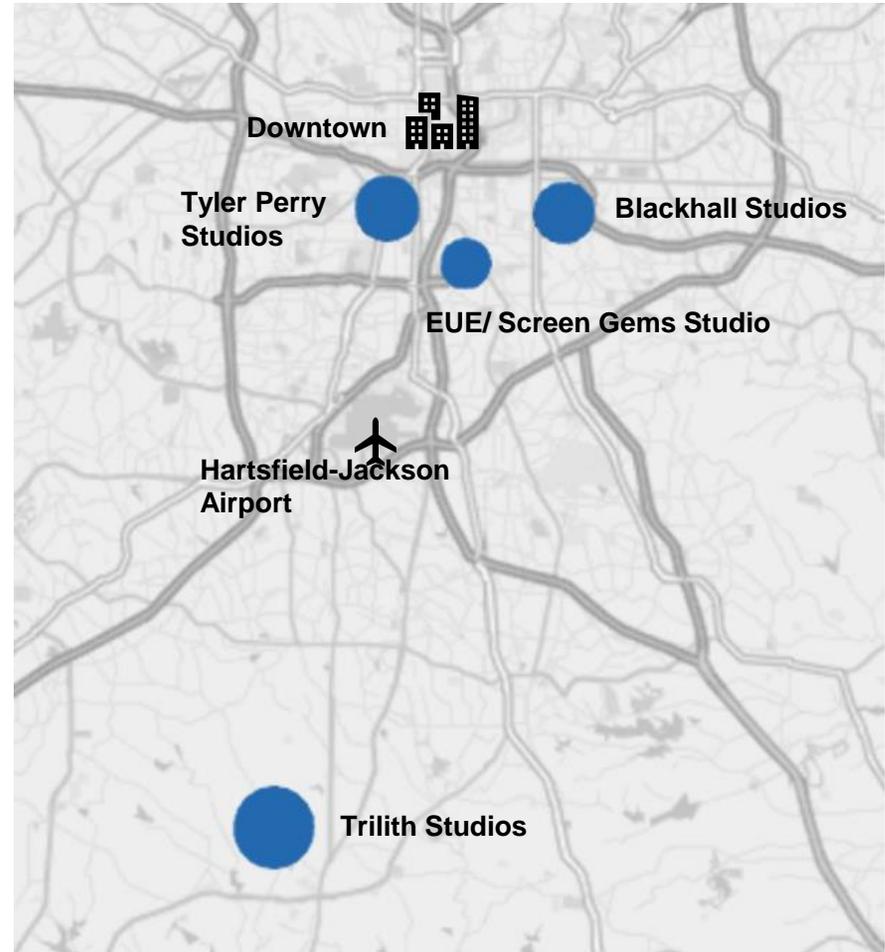
Impact of COVID-19

“Since March, two of the largest studios in the metro area — Pinewood Studios in Fayetteville and Blackhall Studios in Atlanta — have each invested more than \$1 million to retrofit their studios.

One of the biggest costs: improving the HVAC systems on their sound stages and offices.”

Atlanta Journal Constitution
June 2020

Map of Atlanta’s largest studios ⁽¹⁾



(1) Bubble size based on available studio space.

Sources: Georgia Government, Business Facility Magazine, CBRE, Atlanta Journal Constitution, RCGT Analysis

Studios in the Atlanta area stand out for their large size and access to a lot of space



There is no shortage of big spaces in Georgia and Atlanta. As a result, the studios in the Atlanta area are medium- and large-sized. In addition, most major studios offer hundreds of acres of off-stage space, such as green space, forests, and backlots. Office space is also affordable at \$40/ft² per year, compared to Toronto at \$48 and New York at almost \$64⁽³⁾.

Available shooting locations are offered by very large institutions and market concentration is high.

Studios	Total stage surface area (ft ²)	Stage size (ft ²)	Number of stages	Total surface area (ft ¹)	Description
Trilith Studios (Pinewood Studios)	350,000	15,000 to 40,000	18 stages	1,000 acres, including 400 of backlot ⁽²⁾	The largest studio in Georgia and North America outside of L.A., Pinewood Studios in Atlanta was renamed Trilith Studios in 2020 following the studio's acquisition by investor group River's Rock, which founded Chick-fil-A.
Tyler Perry Studios	229,000	10,000 to 38,500	12 stages	330 acres ⁽²⁾	Initially located in the southwest since 2006, the 5 stages were leased to Areu Bros. Over \$250M have been invested in the new Tyler Perry site, which is the largest site outside of L.A. The 330 acres include large green spaces and forests.
EUE/ Screen Gems	140,000	2,000 to 20,000	11 stages	300,00ft ² ⁽¹⁾ and 33 acres ⁽²⁾	The stages are located in North Carolina, Miami and Atlanta. Just 10 minutes from the airport, they opened at the historic Lakewood Fairgrounds in 2010.
Blackhall Studios	200,000	20,000 to 40,000	9 stages	150 acres ⁽²⁾	Blackhall's shooting locations are spread across two adjacent campuses: the main campus and the East campus. The latter offers large, versatile spaces in warehouses and outdoor areas.
Areus Bros	200,000	n/a	5 stages	60 acres	Formerly Tyler Perry's studios, the stages were built for that purpose.

Sources: Pinewood studios, Tyler Perry Studios, Film LA, AJC, Montréal International, Cushman & Wakefield, Blackhall Studios, Areu Bros, RCGT Analysis

(1) Includes Mill workshops, offices, production spaces and other support spaces.

(2) Also includes parking and outdoor spaces.

(3) All amounts are in CAD.

Blackhall and Trilith Studios embarked on major expansion plans in 2020



The Blackhall Studios headquarters are in Atlanta, but the company also has film studios in London, the United Kingdom and Los Angeles. The studio has announced several expansion plans over the past two years.

- The 200,000 ft² studios opened in 2017 will be tripled to 600,000 ft² that will be able to accommodate more productions. It is estimated that with the additional capacity, it will be possible to shoot US\$1B per year of productions at Blackhall Studios and that this will create almost 6,000 additional jobs.

The expansion project and the creation of a new purpose-built studio represent an investment of approximately US\$250M. The new studios adjacent to the existing campus will open in 2024, expanding the total area to 40 acres.

- The second project announced by Blackhall Studios is located in the suburbs of London, in the United Kingdom. In collaboration with the University of Reading, a creative and digital hub and new studios will open in 2022.

The initiative was intended to meet the needs of Blackhall's customer base, which includes Disney, Universal and Sony. The former president of Pinewood Studios, Nick Smith, will be the president of Blackhall Studios UK. He estimates that this new project will create 3,000 new jobs, including 1,500 in the studios.

The expansion of Trilith Studios is discussed in the section on the production hubs project on page 41.

Trilith and Blackhall expansion projects



Sources: Blackhall Studios, WSB-TV Atlanta, Alive, *The Hollywood Reporter*, *Variety*, Trilith Studios, RCGT Analysis

Blackhall Studios plans to open its first studios in Los Angeles to accommodate the exponential growth



The heart of the global film industry, Los Angeles has the most studio space in North America, with 5.2 million ft² across 394 stages. The region's 54 studios partially serve the demand for film locations, but as previously mentioned, the median studio capacity rate was 98% in 2019. FilmLA is a local authority and regularly reports on the status and changes of production studios in Los Angeles.

As in the other U.S. cities analyzed, capacity saturation is generating significant needs for expansion. For example, Atlanta-based Blackhall Studios will open its first studios in Los Angeles. Quixote Studios has also made major investments over the past few years, including a series of fleets of vehicles and tractor trailers to accommodate and move production teams and actors.

Planned investments in Los Angeles

Studios	Size (ft ²)	Number of stages	Scheduled completion date	Description
Quixote Studios	50,800	2	June 2021	Quixote Studios converted an old warehouse in Sylmar, north of Los Angeles.
	9,400	1	May 2021	A new Quixote studio also opened in Hollywood in May 2021.
	80,000	4	2022	Following the opening of a \$25M, 75,000 ft ² studio in Pacoima in January 2020, the studios are continuing to expand at this site. The four studios that will open their doors will be in a converted warehouse.
Blackhall Studios	500,000	Up to 20	2024	A 50-acre plot is slated to house up to 20 new, purpose-built studios by 2024. The Atlanta studio will open these studios in Santa Clarita, north of Hollywood.
Television City	1,300,000	8	n/a	Owners Hackman Capital are planning a major expansion of their existing seven studios. This investment is estimated at \$1.25B.

Sources: FilmLA, RCGT Analysis



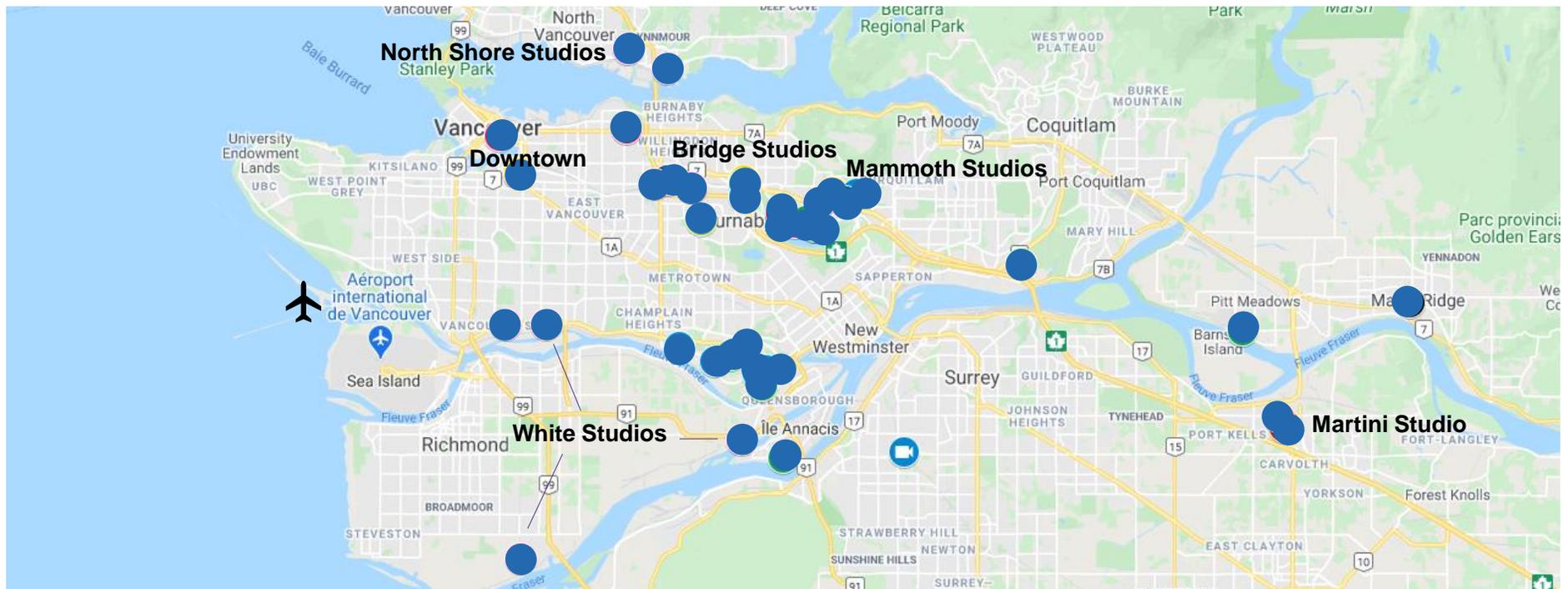
Vancouver is nicknamed *Hollywood of the North* and is home to the most U.S. productions in Canada



British Columbia has been the main production hub in Canada for several decades now. The 95 production studios are located in and around downtown Vancouver, particularly in Burnaby. According to a study published by Colliers in 2017 and Creative BC, nearly half of the 118 stages are in industrial warehouses converted into studios and filming locations. As a result, British Columbia offers very large stages, a major attraction for the region.

More than 44,000 people work in the industry, and it is estimated that the workforce will not keep up with the growing needs, which will vary between 5% and 10% over the next 10 years.

Map of Vancouver's largest studios



Sources: Colliers, Creative BC, FilmLA

With 2.5 million ft² of studio space, Vancouver has the largest production capacity in Canada



Studios	Total stage surface area (ft ²)	Stage size (ft ²)	Number of stages	Total surface area (ft ²)	Description
Mammoth Studios	300,000	36,487 to 123,883	4 stages	380,000 ⁽¹⁾	As its name suggests, Mammoth Studios is one of the largest in the world at 123,000 ft ² . The studios are located in Burnaby, where there is a high concentration of studios.
North Shore Studios	122,000	11,013 to 20,544	8 stages	n/a	North Shore Studios, which belongs to the same group, is located on the north side of Vancouver Bay.
Martini Film Studios	140,600	11,600 to 25,000	10 stages	160,000 ⁽¹⁾	Although it is slightly outside of Vancouver, this does not prevent Martini Film Studios from being one of the region's key players. They are managed by MBS Group.
White Studios	260,000	7,300 to 24,888	9 stages	320,000 ⁽¹⁾	White Studios has three locations in Vancouver, as well as sites in Toronto and Calgary.
Bridge Studios	170,000	4,500 to 18,000	13 stages	15 acres ⁽²⁾	Originally a steel mill that built bridges, the British Columbia government invested in renovating the buildings to create a permanent shooting location in the 1970s.
Eagle Creek	34,000	17,000	2 stages	73,000 ⁽¹⁾	Located in Burnaby, the stages are small but offer ample office space.
Canadian Motion Picture Park	240,000 and 120,000 in backlot	5,500 to 40,000	18 stages	300,000 ⁽¹⁾ and 25 acres ⁽²⁾	CMPP studios are among the largest in the region and are the only ones in BC that offer backlot space. Netflix recently launched its new hub there.
Vancouver Film Studios	190,000	12,500 to 21,000	12 stages	370,000 ⁽¹⁾	The first Canadian studio with a zero carbon footprint, the firm also holds B Corp accreditation. The company, which is owned by the McLean Group, stands out in part because of its commitment to sustainable development.
MBS Studios	200,000	5,980	8 stages	n/a	A studio and equipment management network, the group has 35 locations in 3 countries. MBS offers operations and consulting services for new facilities.

Sources: Creative BC, Mammoth Studios, Martini Film Studios, White Studios, Bridge Studios, Eagle Creek Studios, CMPP, Vancouver Film Studios, MBS Studios

(1) Includes Mill workshops, offices, production spaces and other support spaces.

(2) Also includes parking and outdoor spaces.

The Martini Film Studios expansion is the largest investment in the Vancouver area



East of Vancouver, Langley City is the new home of Martini Film Studios and of Warner Brothers Studios since 2017. A new 600,000 ft² building was announced in 2019 in a 25-acre industrial and business park. Within the building, 300,000 ft² will be shooting space and 300,000 ft² will be support spaces such as workshops, offices and storage.

This expansion is significant for the region, which currently has 2.5 million ft² of studio space, meaning an increase of 12%. Canada's largest studio will open in 2021, just a few kilometres from the existing Martini Film Studios infrastructure. Managed by the MBS Group, the studios are also close to the MBS agency and equipment rental service.

Martini Film Studios expansion project in Langley City



Sources: Form Real Estate Advisors, DailyHive, Martini Film Studios, RCGT Analysis

Vancouver's major players are joining forces for the climate



REEL GREEN

In line with many local, national, and international initiatives that are taking action against the challenges of global warming, the **Reel Green Strategy** was released in 2016. The initiative was launched by Creative BC in 2006 and was developed in collaboration with the major studios, municipalities, local unions, etc.

The Strategy's mission is to foster the evolution and implementation of **sustainable practices in the audiovisual industry**. Education and raising awareness are at the heart of the project. A series of educational videos on responsible waste management, recycling, methods to reduce the carbon footprint and best practices are available.

The participation of all stakeholders is extensive and there are even studios, such as Vancouver Film Studios, that are carbon neutral and B Corp certified.

Reel Green Partners 2020-2021

- Canadian Media Producer Association
- International Alliance of Theatrical Stage Employees (IATSE)
- Directors Guild of Canada
- Bridge Studios
- Eagle Creek
- Martini Film Studios
- Provincial Government (CreativeBC)
- North Shore Studios
- Motion Picture Production Industry Association of BC
- Union of BC Performers
- And more

Sources: CreativeBC, RCGT Analysis

International productions are the source of the growing production volume in Ontario



With New York City facing capacity issues, Toronto offers an attractive alternative as a shooting location due to its geographic proximity, tax incentives and growing pool of film studios. This can be seen in the almost 18% per year growth in foreign productions between 2014 and 2019. In addition, the film industry is an integral part of Toronto's cultural scene with the Toronto International Film Festival (TIFF).

It is mainly television series that are shot in Toronto, which means that shooting locations are occupied for a longer period of time.

"The provincial government announced it is supporting the film, television, music and tourism industries in Sudbury by investing more than \$8.5 million into 12 projects that will create jobs and boost the local economy."

NOHFC
The Sudbury Star, March 2020

Changes in production volume by origin

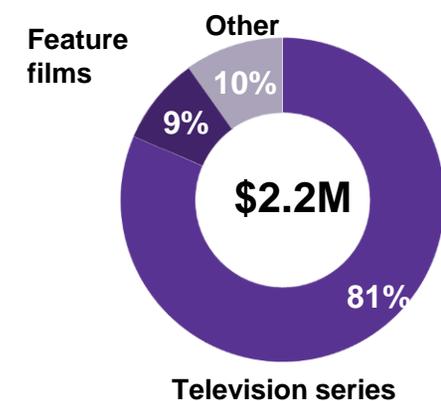
Ontario, 2014-2019, in \$000,000, AAGR in %



Sources: Ontario Creates, Nordicity, RCGT Analysis

Production volume in Ontario by type

Ontario, 2019, in %



There are four major studios located in Toronto



Studios	Total stage surface area (ft ²)	Stage size (ft ²)	Number of stages	Total surface area (ft ²)	Description
Pinewood Studios Toronto	176,206	10,062 to 45,900	11 stages	330,000 ⁽¹⁾ 33 acres ⁽²⁾	One of Canada's largest studios, Pinewood Studios is owned by an international group based in the United Kingdom. The Pinewood Studios group also has stages in Vancouver and the Dominican Republic. The studio also stands out for its collaboration with many related service providers.
Cinespace Film Studios	~300,000	5,000 to 25,000	21 stages	1,000,000 ⁽¹⁾ 40 acres ⁽²⁾	Cinespace offers the largest number of stages in Toronto, but is also a North American player with its 50+ acre studio campus and 32 stages in Chicago. The Toronto stages are spread over three campuses, include a backlot area, and even have a stage equipped for shooting underwater.
Revival 629	110,000	2,900 to 24,500	10 stages	18.4 acres ⁽²⁾	Located in the Studio District, Revival 629's most recent expansion was in 2017. Three of the ten Revival 629 stages contain cycloramas.
William F. White Studios	189,500	12,400 to 33,000	8 stages	364,000 ⁽¹⁾	With studios in Calgary, Vancouver and Toronto, White Studios is a national leader. White Studios has over 32 stages across Canada and 3 campuses in Toronto.
Backlot Film Studios	37,000	12,000 to 25,000	2 stages	50,000 ⁽¹⁾	A small studio near the airport, William F. White Studios and Cinespace Film Studios.
Wallace Film Studios	~17,000	850 to 6,000	7 stages	n/a	Small stages scattered throughout the city of Toronto.
District 28	5,800	1,500 to 4,300	2 stages	n/a	Small stages with several related spaces, such as a projection room, editing room and more.

Sources: Newswire, Pinewood Studios, Cinespace, Revival 629, William White Studios, Backlot Film Studios, Wallace Film Studios, District 28, Ontario Creates, RCGT Analysis

(1) Includes Mill workshops, offices, production spaces and other support spaces.

(2) Also includes parking and outdoor spaces.

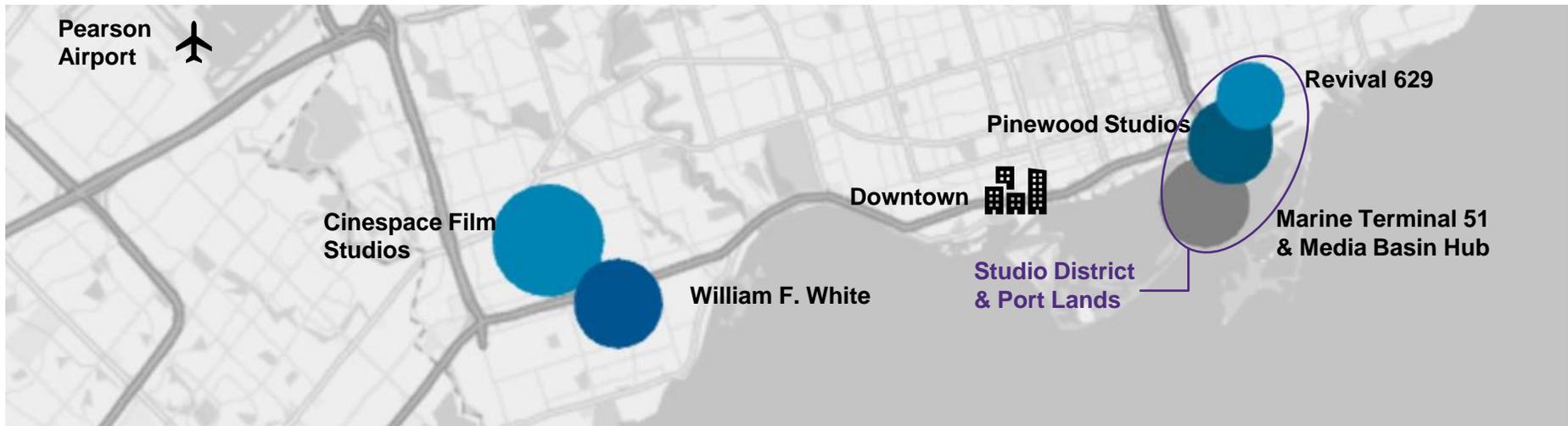
The large studios are grouped in the Studio District and Port Lands or near the airport



Two main areas host the major studios:

- The southern part of Etobicoke, west of downtown, is strategically located near the airport and downtown. Two of the largest production studios - Cinespace Film Studios and William F. White Studios - are located in this area. A large number of small- and medium-sized studios are also scattered in the vicinity: Dixie Studios, Backlot Film Studios, Dufferin Gate Studios, The Production Studio, Studio City Toronto, etc.
- Less than 5 km from downtown is the Studio District, an area with a creative community and many cafés, restaurants, etc. The Port Lands industrial area, located on the other side of the highway, with its vast amount of developable land, is home to several studios, such as Pinewood Studios. In addition, Netflix has signed a long-term contract with Pinewood Studios and Cinespace in this area. To create this new production facility, former warehouses and port buildings at Marine Terminal 51 were converted into production studios.

Map of Toronto's largest studios ⁽¹⁾



Sources: CBC News, RCGT Analysis

(1) Bubble size based on available studio space.

The Toronto region and Ontario have many investment projects underway



Studios	Size (ft ²)	Developer/Owner	Scheduled completion date	Description
CBS	260,000	Orlando Corporation	End 2019	The 2019 opening of CBS Studios on more than 12 acres will generate \$200 million in annual spending.
First Studio City	800,000	Remington Group	Construction beginning in 2021	The First Studio City campus will feature 20 stages, including one of the largest in North America (80,000 ft ²).
Pinewood Studios	225,000 (expansion)	Pinewood Studios Group	2022	The construction of five new studios totalling 102,000 ft ² began in 2020.
Cinespace Marine Terminal 51	165,000	Ports Toronto	15-year lease signed in March 2018	Cinespace Studios is beginning an expansion project in collaboration with Netflix to create their new production hub (details on page 42).
Revival 629 Films	240,000	SmartREIT	TBA	Located near Port Lands, little information is available for this project at this time.
William F. White Studios	152,000	William F. White International	July 2020	William F. White Studios has opened its third location in Mississauga, near the new CBS Studios.
Studio City Toronto	70,000	Studio City Studios	2021	Six new studios will open in Port Lands.
BRB Studios	10,000	Black Rectangle Brand Studio	September 2020	The first phase of a studio expansion at BRB was completed in 2020. Phase II will take place in 2021.
Ottawa Creative Hub	80,000+	Tibro Studios and Ottawa Film Office	2020	Announced in 2018, the project to establish a creative hub and production campus is estimated to cost \$40M.
Aeon Bayfront Studios	150,000	Aeon Studio Group	Early 2021	Located in Hamilton, the Aeon project started in 2019 and is estimated to cost \$100M. No other specific projects were announced, but they have shown a willingness to continue investing in the future.
Basin Media Hub	n/a	CreateTo	n/a	Description on page 39.

Sources: Updated QFTC research, Playback, FilmLA, The Spec, BRB Studios, Newswire, Studio City Toronto, RCGT Analysis

In the Montreal area, MELS and Grandé Studios are the only ones that offer stages suitable for foreign productions



The number of studios in Montreal with the infrastructure to accommodate foreign productions is limited. Only Grandé Studios and MELS offer stages that are wide and high enough for major shoots.

The 447,194 ft² of space made available by Grandé Studios and MELS have a capacity to accommodate up to \$400M of production per year. Based on the interviews conducted for this study, these spaces are at full capacity, and will be for months and years to come.

List of Montreal studios with infrastructure to host foreign productions

Studios		Total stage surface area (ft ²)	Stage size (ft ²)	Number of stages
Grandé Studios	LaSalle	71,435	1,435 to 20,000	6 stages
	Pointe-Saint-Charles	148,346	18,772 to 109,579	3 stages
	Total Grandé Studios	219,781	1,435 to 109,579	9 stages
MELS	MELS 1	36,850	4,000 to 13,650	5 stages
	MELS 2	66,500	15,000 to 36,500	3 stages
	MELS 3	50,000	10,000 to 15,000	4 stages
	MELS Saint-Hubert	74,063	7,680 to 18,468	6 stages
	Total MELS	227,413	4,000 to 36,500	18 stages
Total for Montreal		447,194	1,435 to 109,579	27 stages

Sources: MELS, Grandé Studios, QFTC, RCGT Analysis

Among the cities analyzed, all are planning multiple investment projects as well as expansions of existing studios

The current situation in the four competing cities identified points to a shortage of available space and a significant need for more studio space suitable for major shoots. The number of announced investment projects is considerable and the scope of the expansions will not stop in the next few years.

At this time, no major studio expansion or investment projects have been announced in Montreal. The space available for foreign productions is limited when compared to the North American cities analyzed.

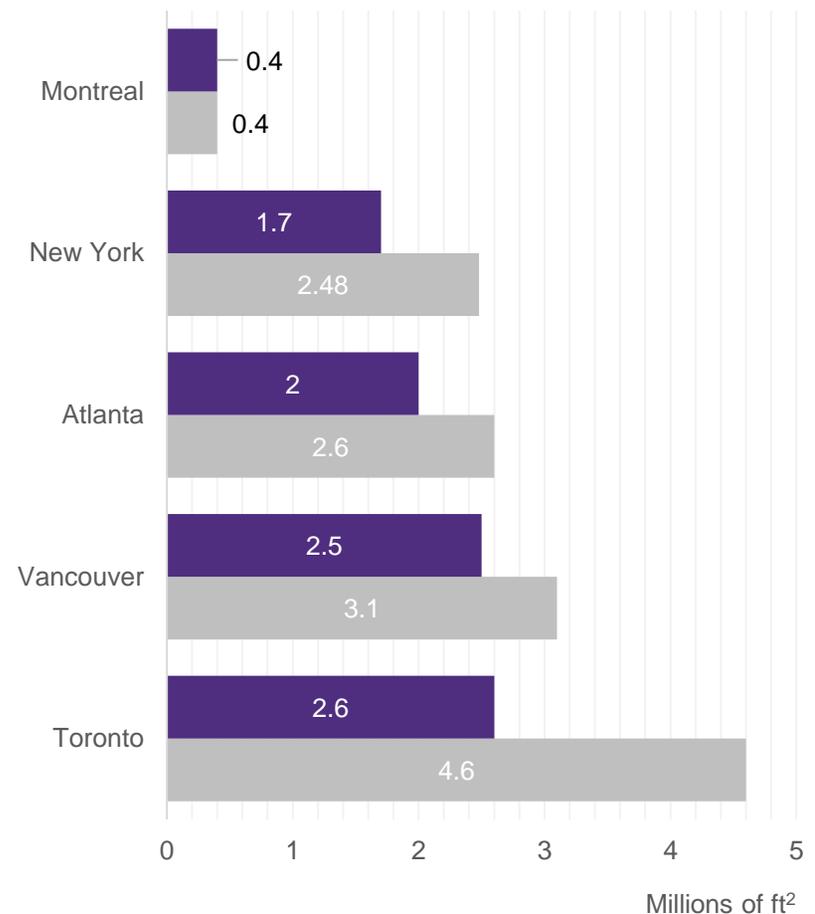
The available space in Toronto will be almost twice what it is now because of the significant number of investment projects.

“I’m in talks with Disney. They’re ready to come, but we just don’t have the space to accommodate them. (...) Toronto is very aggressive and currently has 2.2 million ft² in development for studios.”

Excerpt from an interview with RCGT

Available and projected studio space by city

North America, 2019, 2021, in 000 000 ft²



Sources: QFTC, Deloitte, CreativeBC, FilmLA, Toronto, RCGT Analysis

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Studios are potential economic development levers and can contribute to the establishment of innovative and creative hubs

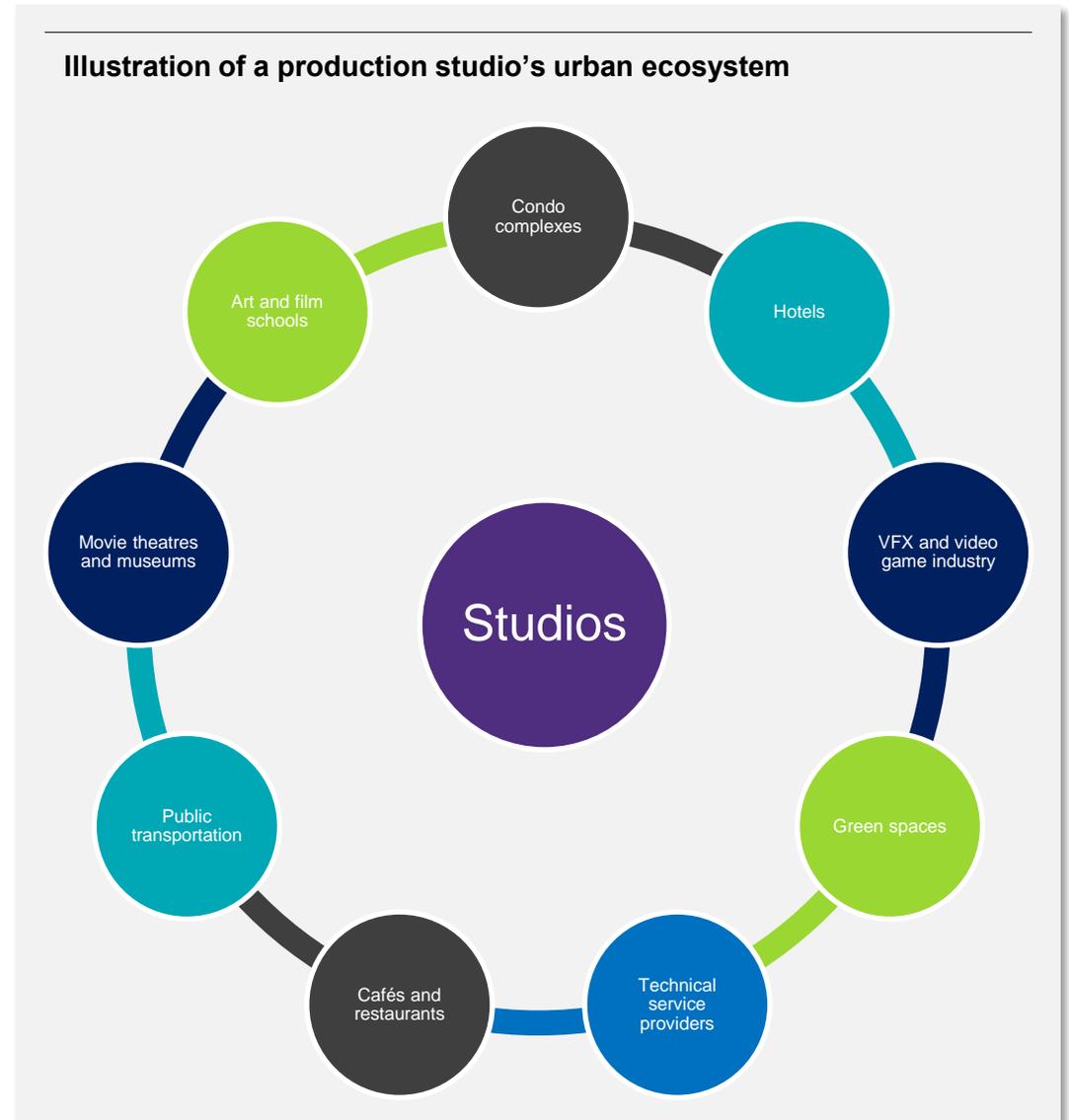
Together with local institutions and real estate developers, production studios can reshape entire neighbourhoods. Studios have significant innovation capabilities through their presence in the creative sector and their reliance on a multitude of local suppliers. The audiovisual industry is a rapidly evolving sector that contributes to technological and creative development.

Similar to innovation zones, geographical proximity favours collaboration, exchange of ideas, innovation and, as a result, productivity.

Some cities have recognized the production studios' potential and their contribution to creating innovative and dynamic hubs and areas. Here are four examples where production studios plan to contribute to economic and urban development in neighbourhoods:

- Kaufman Astoria Studios in Queens, New York.
- Pinewood Studios and Basin Media Hub in Toronto.
- Steiner Studios in Brooklyn.
- The Trilith ecosystem in Atlanta.

Sources: Stachowiak (2017), RCGT Analysis



Kaufman Astoria Studios is an economic driver in the Astoria neighbourhood in Queens

REVITALIZING A NEIGHBOURHOOD AND ITS COMMUNITY

Kaufman Astoria Studios opened its doors in 1920 and has become more than just a production studio in Queens, New York. Property manager George Kaufman acquired the studios in the 1980s. Since then, the studios' vision has gone beyond film production; it has become a key player in the development of the Astoria neighbourhood in Queens. The measures Kaufman implemented led to a vibrant neighbourhood and community with schools, restaurants and apartments.

In 2001, the Frank Sinatra School of the Arts moved near the studios to a plot owned by the studios. Astoria Film Studio is also the cornerstone of the Astoria Arts District, which aims to promote and support the creative industry. The organization fosters collaboration among neighbourhood stakeholders and thus supports the area's economic development.

INNOVATION QNS – REDEVELOPMENT PROJECT

In cooperation with Silverstein Properties, in 2020, Kaufman Astoria Studios announced a plan to redevelop five blocks of the Astoria neighbourhood, at an estimated cost of US\$2B. The ambitious Innovation QNS project will be a mixed-use location featuring 2,700 apartments, creative spaces, stores, green spaces, etc.

Kaufman Astoria Studios is an economic driver, contributing to the development of the community and neighbourhood surrounding the studios.

Vision of the Innovation QNS redevelopment project



Sources: *New York Times*, Kaufman Astoria Studios, Innovation QNS, RCGT Analysis

The Basin Media Hub project bringing together film, television and digital media organizations was announced in Toronto in late 2020

AN ECOSYSTEM TO FOSTER SYNERGY AND A VIBRANT SPACE FOR THE SECTOR

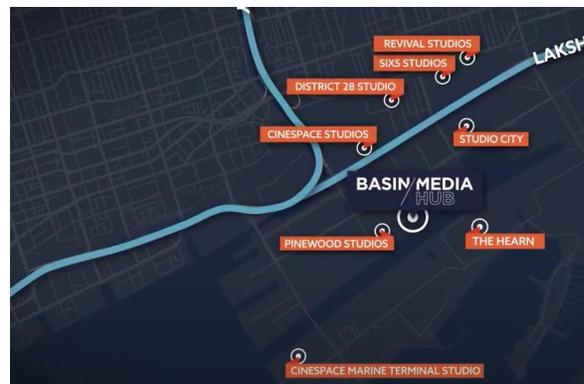
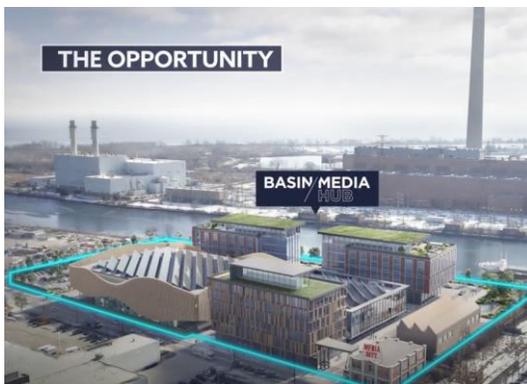
In collaboration with the City of Toronto, CreateTo released a call for tenders in September 2020 to develop the Basin Media Hub. The CreateTo agency, which manages the City of Toronto's real estate portfolio, is proposing 500,000 ft² for the creation of the film and television industry zone.

The hub is intended to bring together companies and organizations operating in the field of film, television and digital media. The custom-built building, which will meet industry-specific needs and offer state-of-the-art services to users, will be the heart of the ecosystem. The vision of the hub is to create a synergy and a thriving complex between all stakeholders. The complex will host co-working spaces and activities throughout the day. Green space complying with the Toronto Green Standard and environmentally responsible development are also priorities for the Basin Media Hub.

LOCATED NEAR EXISTING STUDIOS AND OTHER INNOVATIVE DEVELOPMENT PROJECTS

The site is strategically located near downtown and linked to Toronto's key areas by several public transportation routes. The proximity of existing studios, such as Pinewood Studios, Cinespace Studios, and Studio City, will allow for the sharing of infrastructure and services and enhance the development of the Port Lands area. In the past, Pinewoods Studios has been a major contributor to the area's development, its transformation into a mixed-use area and the creation of the innovative creative hub.

Nearby studios and innovative development projects



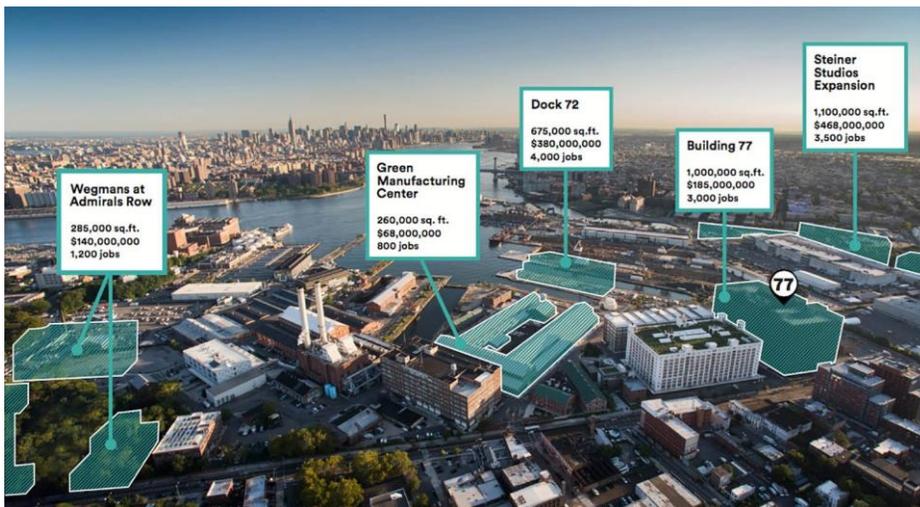
Sources: CreateTo, City of Toronto, Toronto Port Lands Company, RCGT Analysis

The Steiner Studios expansion, supported and funded by the City of New York, features a diversity and inclusion program

Currently located in the Brooklyn Navy Yard, Steiner Studios plays a central role in the area's development. The Brooklyn Navy Yard is a modern industrial park with over 350 employers, and is a major economic driver generating US\$2.5B in economic benefits annually. Steiner Studios is integrated into the ecosystem of the area, which is run by developer and property manager BNYDC, an agency owned by the City of New York.

More recently, in August 2020, New York's Economic Development Agency and the city's film and theatre commission announced the creation of a campus in Brooklyn and awarded a contract to Steiner Studios. The eight new stages will be located in Bush Terminal in Sunset Park. The 500,000 ft² entertainment centre will open in 2025 and has an estimated cost of US\$250M. The project is supported by the New York Economic Development Agency, which is funding the project with up to \$15M. One reason this funding was received was that the expansion includes a diversity and inclusion program to support visible minorities and women in the entertainment industry. This new Steiner Studios complex is expected to create around 2,200 jobs.

Transformation of the Brooklyn Navy Yard



Sources: Brooklyn Navy Yard, 6 sq ft, Steiner Studios, Deadline, RCGT Analysis

Studios at Sunset Park in Terminal Bush – 2020



Trilith is developing a 935-acre ecosystem focused on innovation, education and wellness that can house 5.000 residents

In late 2020, Trilith Studios – formerly Pinewood – announced a land development plan near its studios south of Atlanta. The project includes an entire village to house industry workers' families. The site will consist of custom-built houses, luxury restaurants, hotels, elementary schools, gyms, etc.

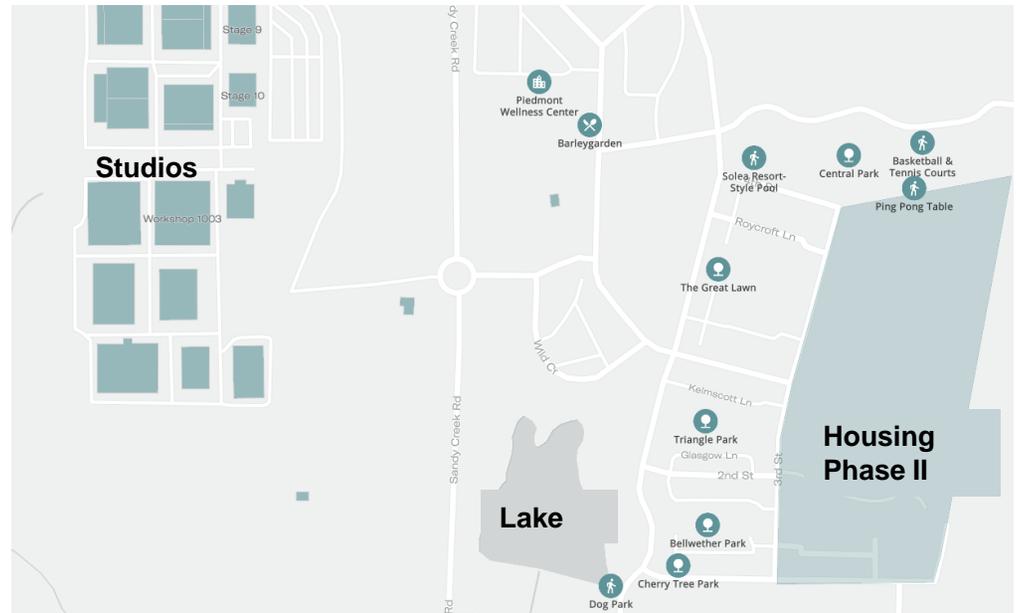
The 935-acre ecosystem will also host innovative creative and technology firms. The creative centre also features 60,000 ft² of virtual and intelligent stages. To attract these companies, Trilith Studios has invested in organizations such as Believe Entertainment Group. The 1,400 residential units are expected to house 5,000 residents. In addition, more than 50% of the area is green space and it will be the largest geothermal-powered community in the United States.

Photos of the Trilith ecosystem



Sources: Trilith, Commercial Property Executive, Cision, RCGT Analysis

Map of the Trilith ecosystem



Over the past three years, Netflix has opened several hubs, including two in Canada, dedicated exclusively to its productions

ENCOURAGED BY SIGNIFICANT JOB CREATION, SEVERAL CITIES AND GOVERNMENT INSTITUTIONS HAVE FINANCIALLY SUPPORTED THE ARRIVAL OF NETFLIX AND THE CREATION OF ITS PRODUCTION HUBS

2018

Albuquerque, NM

With the help of Local Economic Development Act funding totalling US\$10M and US\$4.5M from the city of Albuquerque, Netflix has created a new production hub in New Mexico.

It is estimated that this expansion will generate over US\$1B in production and 1,000 jobs.

2019

New York

Netflix created a production hub in the Bushwick, Brooklyn neighbourhood and simultaneously opened an executive office in Manhattan, employing 127 people.

The six stages opened in Brooklyn were built in a former printing plant measuring over 160,000 ft².

2019

Toronto

After Netflix's 2017 announcement that it would produce over \$500M in productions in Canada over the next five years, the video-on-demand giant signed a long-term rental agreement with Pinewood and Cinespace. Establishing this hub will create more than 1,800 production jobs.

2020

Vancouver

In September 2020, Netflix signed a long-term lease for 7 of the 18 stages within the Canadian Motion Picture Park studio complex, creating its second production hub in Canada. Over 178,000 ft² of production space will be leased, not including offices and related spaces.

2018

Madrid, Spain

Netflix's first production hub in Europe is 240,000 ft² and managed in collaboration with the production firm Grupo Secuoya. Three production studios will host the 20 productions and over 13,000 industry workers will be involved in these projects.

2019

Shepperton, UK

To address the surge in production in the United Kingdom, Netflix has opened a hub in the Pinewood Studios facility. They will occupy 14 studios, representing the largest known studio expansion in the country. Netflix announced in 2021 that it plans to open new studios in the London area.

Sources: Netflix, Brooklyn Daily Eagle, *The Hollywood Reporter*, RCGT Analysis

The Montreal-based Epic Games company has developed the industry's latest innovation: virtual production stages

The synergy between the audiovisual and video game industries has led to the creation of virtual production technology. This is the most recent major innovation in the production studio industry. U.S. video game developer Epic Games opened in a Montreal location in 2018 and developed its virtual production technology called Unreal Engine there.

Virtual production requires the installation of LED screen walls, enabling adaptation to the needs of the production project.

The **MELS** stages in Montreal opened their doors to virtual productions in October 2020. Using LED panels supplied by Solotech and technology from Epic Games, the Montreal studio was able to make an innovative technological shift by working with local suppliers.

Grandé Studios, located in Montreal, also offers support services for integrating this innovative technology.

Sources: MELS, Grandé Studios, *La Presse*, Epic Games, RCGT Analysis

MELS photo

Immersive LED installations allow for the construction of virtual studios and are a huge success within the industry

The demand for Epic Games' technology has been significant and the technology has been improved over the past two years. The immersive LED panels that surround the actors at 270 degrees can reach up to 75 feet in diameter. This innovation makes shooting easier and allows for immediate background adjustments. The advantage over green screens is the absence of green pollution on actors and objects as well as the ability to adapt the brightness quickly.

The COVID-19 pandemic only served to catalyze the demand and need for this type of technology. The ability to collaborate remotely and quickly change shooting environments was particularly useful during the pandemic.

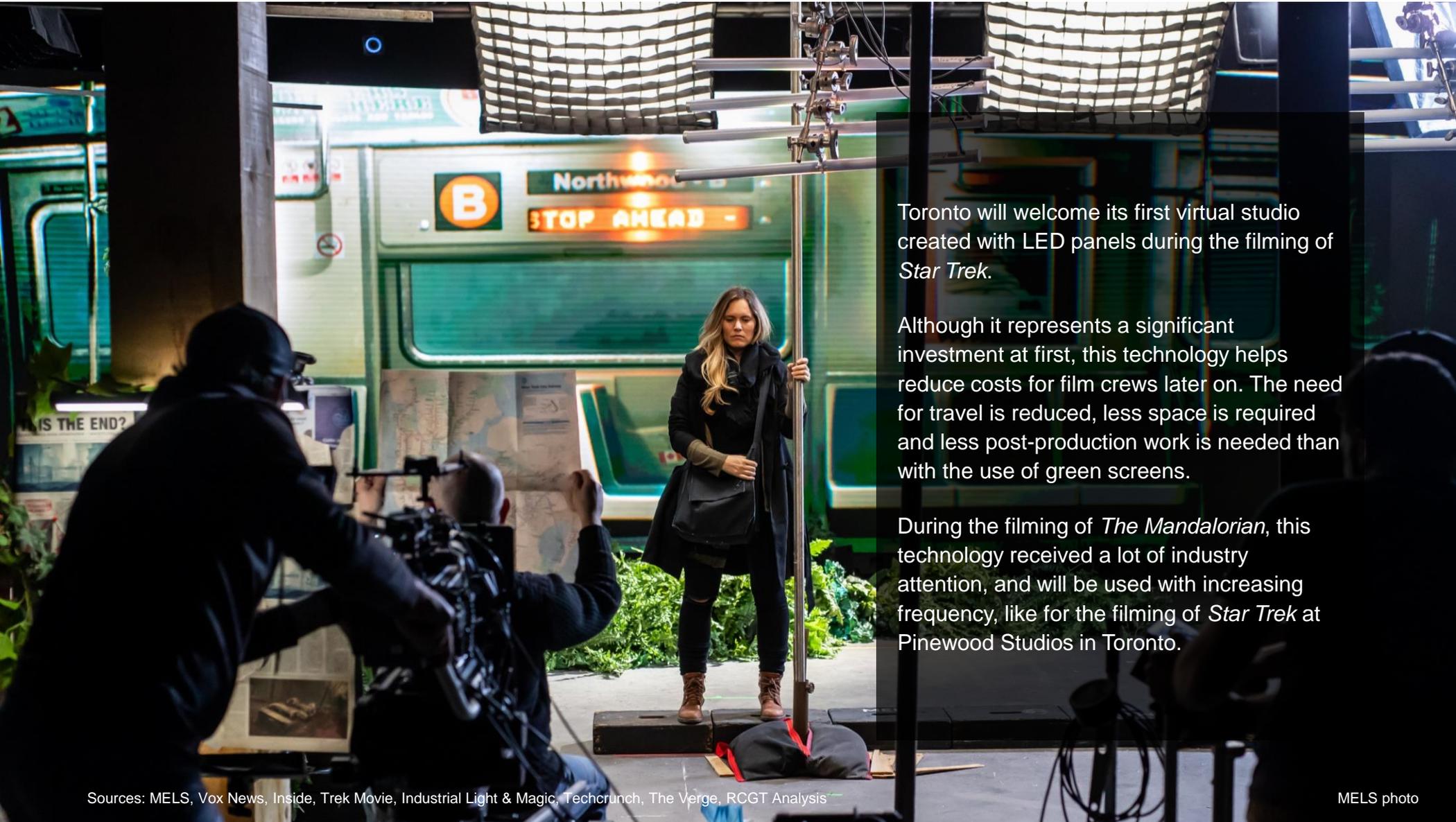
Just as an example of how fast the technology is innovating and evolving, the creators of Unreal Engine recently released their second user guide for virtual production in April 2021.



Sources: Grandé Studios, Time, Unreal Engine, RCGT Analysis

Grandé photo

Toronto's first virtual studio recently opened its doors



Toronto will welcome its first virtual studio created with LED panels during the filming of *Star Trek*.

Although it represents a significant investment at first, this technology helps reduce costs for film crews later on. The need for travel is reduced, less space is required and less post-production work is needed than with the use of green screens.

During the filming of *The Mandalorian*, this technology received a lot of industry attention, and will be used with increasing frequency, like for the filming of *Star Trek* at Pinewood Studios in Toronto.

Sources: MELS, Vox News, Inside, Trek Movie, Industrial Light & Magic, Techcrunch, The Verge, RCGT Analysis

MELS photo

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To identify the most suitable site for the construction of a new studio in the Montreal area, several factors were determined

LOCATION FACTORS

- Land acquisition cost
- Lot size of approximately 1 million ft²
- Distance from:
 - The Montréal–Pierre Elliott Trudeau International Airport
 - Other airports (Mirabel, Longueuil)
 - Downtown (hotels, Old Port, etc.)
 - Public transportation (metro or REM)
 - Stores
- Within 25 km of the corner of Papineau and Sherbrooke streets in Montreal (beyond that, an additional per diem is paid to union personnel)
- Noise pollution and vibrations
- Soil quality (geotechnics and contamination)

Documented plots are based on availability as of March 2021.

It is also important to mention that the criteria identified may differ depending on the developer, particularly in terms of ability to pay and available government assistance, and therefore may influence the final decision.

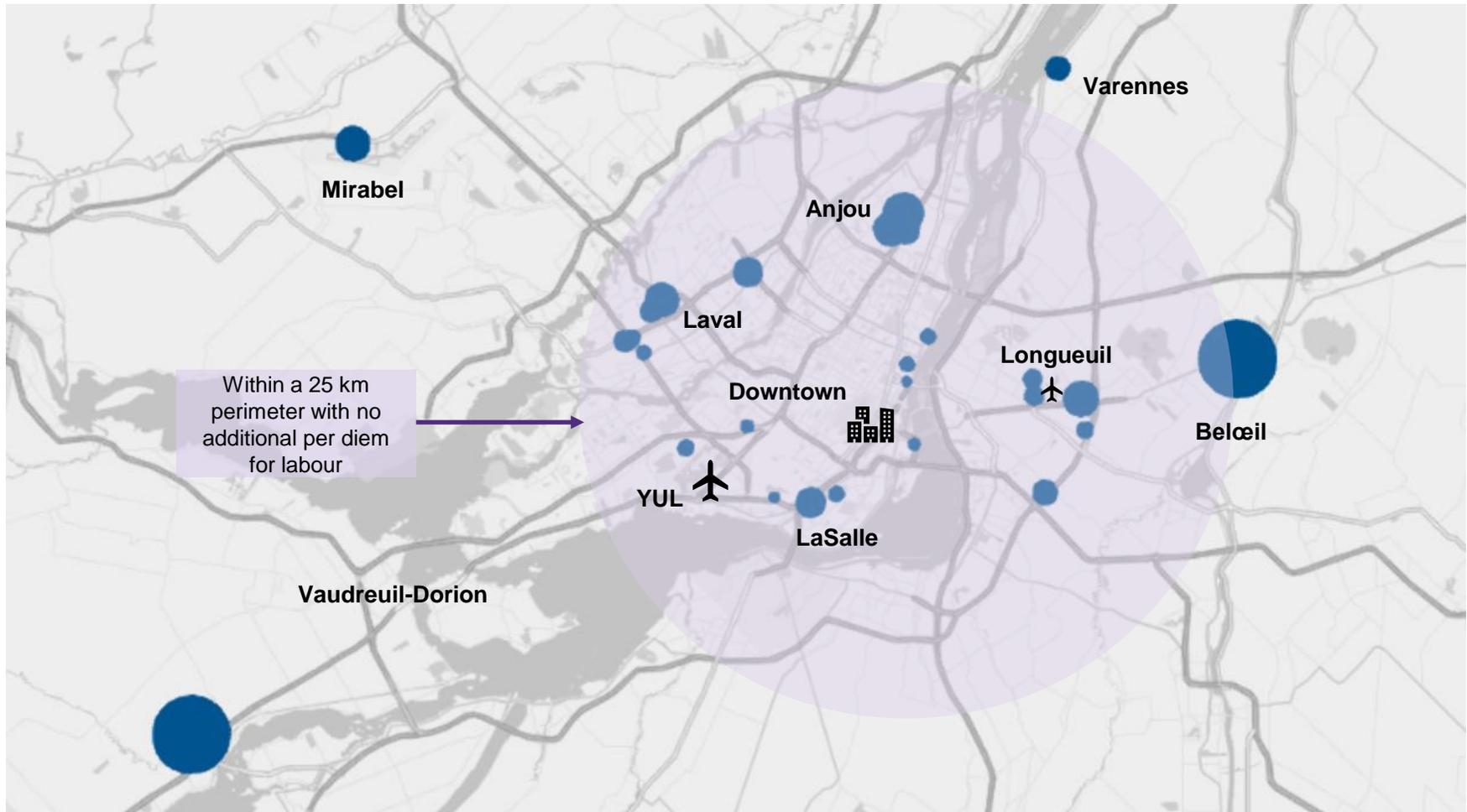
The sites presented were identified from the following sources: QFTC, Montréal International, City of Laval and City of Longueuil.



Over 30 potential sites for a new production studio have been identified in the Greater Montreal area

Map of available sites in the Montreal area

Montreal, 2021, size of circles based on the available area



Sources: QFTC, Montréal International, City of Longueuil, CBRE, AQTIS Local 514 IATSE, RCGT Analysis

On the island of Montreal, six plots of land have been identified as suitable for a new production studio

Sites located on the Island of Montreal are more expensive, but are still more affordable than those in the other competing cities analyzed. In addition, their location is conducive to the arrival of foreign productions. Plots in the Anjou area are less expensive, but they are further away from downtown and the airport.

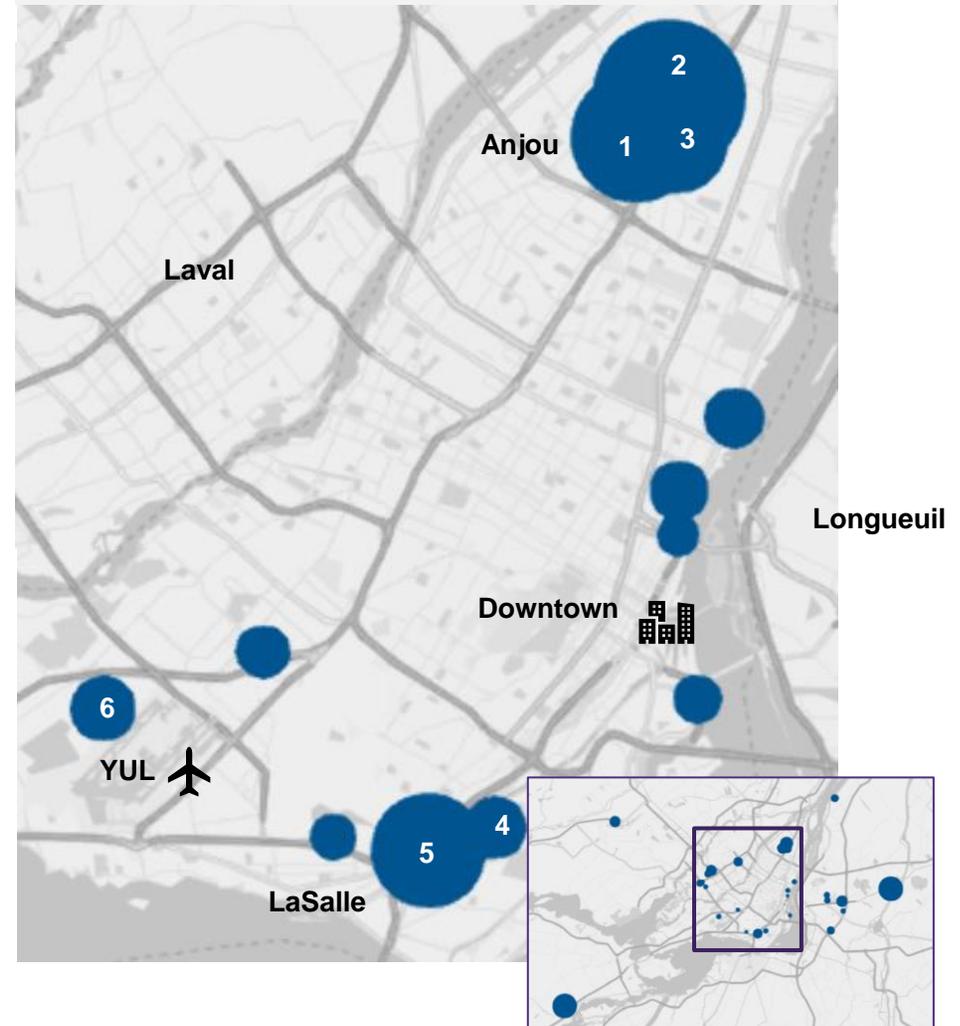
Sites near the port and the Jacques-Cartier Bridge have two notable disadvantages. The strategic location results in high prices and the presence of heavy transport arteries and railroad tracks increase the risk of noise pollution and vibrations. In addition, their size ranges from 400,000 ft² to 800,000 ft², which presents capacity issues.

This reduces the number of potential sites on the Island of Montreal. Although sites 4 and 5 are more expensive, they would be good options because of their strategic location and the lower risk of noise pollution and vibration.

While sites outside the island, such as the Vaudreuil-Dorion location, are more affordable and have few noise and area restrictions, the distance of more than 60 km from downtown is too great to keep this site as a potential choice.

Map of available sites for the new studio

Montreal, 2021, size of circles based on the available area

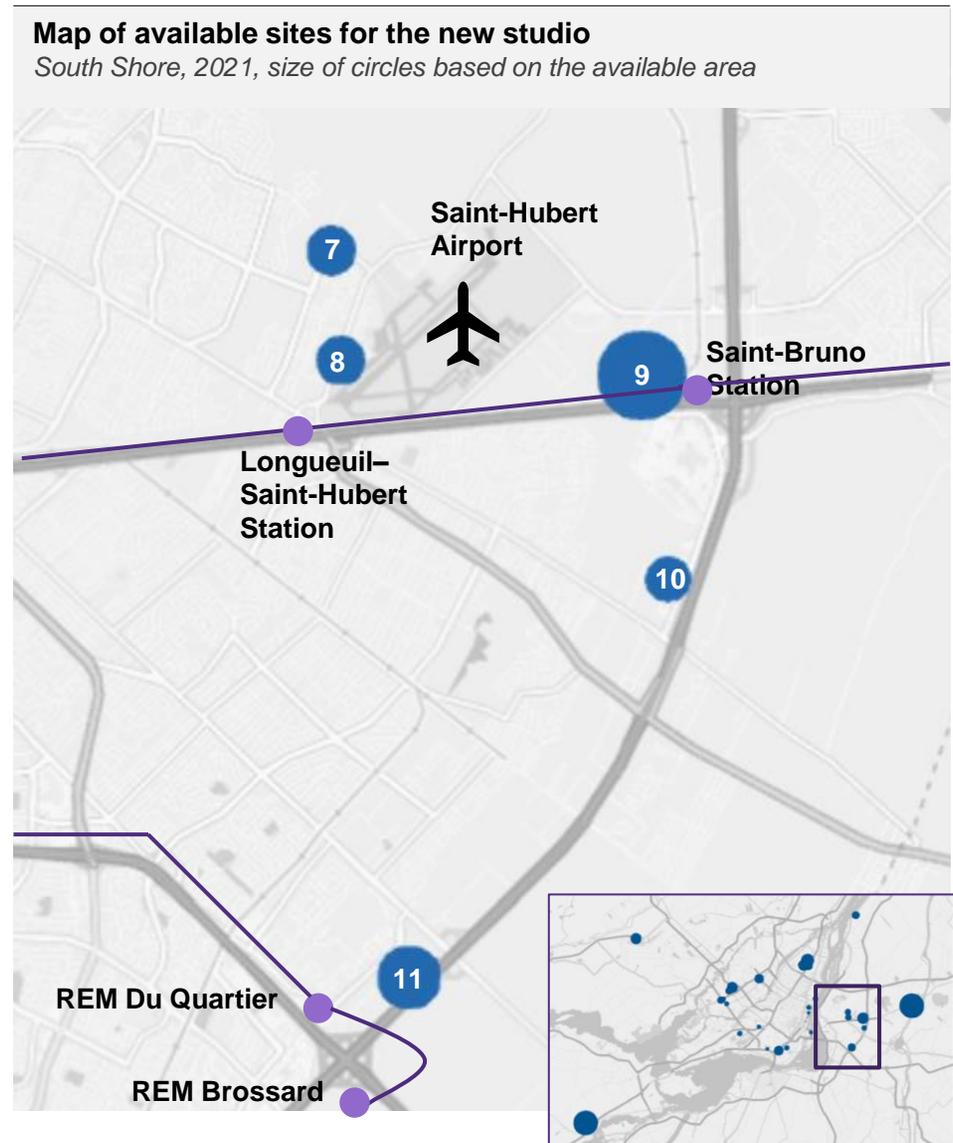


Sources: QFTC, Montréal International, REM, RCGT Analysis

The South Shore of Montreal offers several sites close to Saint-Hubert Airport and public transportation lines

Several sites on the South Shore were chosen in collaboration with the City of Longueuil and Montréal International:

- The proximity of the Longueuil airport could be useful if actors need to travel quickly and urgently. However, this still represents a significant source of noise pollution and vibration; additional analysis of this issue would be required.
- The direct connection to downtown Montreal also provides access to luxury hotels and the Old Port.
- The REM project will improve the connection to the public transit system only for plot #11. However, the existing Exo train line and VIA Rail link serve the sites around the St. Hubert Airport.
- It is important to note that land cost estimates vary widely in this area due to the many major projects, such as the Molson Coors plant and the WIPTEC online order picking facility. Combined with growing residential demand, land prices in this area have risen sharply over the past year, ranging from \$12 per ft² to \$20 to \$30 per ft².



Sources: City of Longueuil, Montréal International, *La Presse*, REM, RCGT Analysis

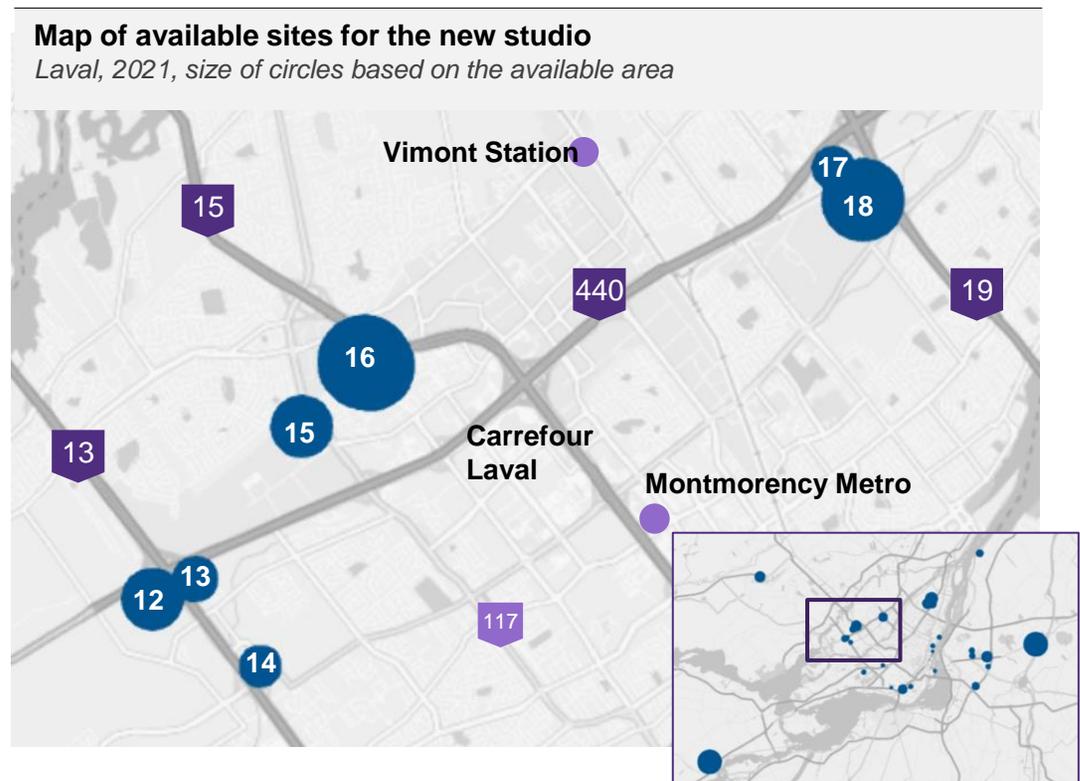
The Laval region has several large sites near highway exits

The City of Laval and Montréal International have identified and suggested several sites. The Laval region is particularly suitable for hosting a production studio for several reasons:

- The affordability of land is one of Laval's key advantages. However, the region is undergoing significant economic and urban development and prices may rise in the coming years. According to the City of Laval, the average selling price of an industrial site varies between \$20 and \$25 per ft².
- Lot sizes range from 800,000 ft² to 3,800,000 ft², allowing for a site to be chosen based on needs at the time of purchase.
- Noise pollution issues are also less of a problem, since there are no airports or rail lines nearby. Because the plots are close to highway ramps, there is still a need to check for noise problems.

However, the distance to downtown Montreal and the Old Port is a concern for plots located in Laval. Depending on the site, the distance varies between 25 km and 30 km, which means it takes a minimum of 30 minutes to cross the Island of Montreal and reach the downtown area where the luxury hotels (among other things) are located.

Montréal-Trudeau Airport is approximately 25 km from Laval.



Sources: City of Laval, Montréal International, RCGT Analysis

Summary of potential sites for a new production studio in the Greater Montreal area

No.	Area	Surface area (ft ²)	Downtown (km)	Distance YUL (km)	Owner	Nearby public transportation
1	Island of Montreal	4,007,520	19.2	27.7	9024-0391 Québec Inc.	Anjou Station
2	Island of Montreal	2,221,560	18.5	26.7	Shell Canada Limited	Anjou Station
3	Island of Montreal	5,488,560	23.2	32.0	Loracon Construction	Anjou Station
4	Island of Montreal	919,921	9.7	13.3	Cintec Environnement Inc.	Angrignon green line
5	Island of Montreal	3,058,904	10.3	9.4	Édifices Industriels Notre-Dame	Exo du Canal Station
6	Island of Montreal	1,005,737	20.1	9.9	Morguard Holdings PI LTD	REM Marie-Curie
7	South Shore	1,300,000	16.1	33	City of Longueuil	Exo Longueuil Saint-Hubert
8	South Shore	1,300,000	14.8	31.7	City of Longueuil	Exo Longueuil Saint-Hubert
9	South Shore	4,268,880	20	42.2	John E. Lechter	Saint-Bruno Station
10	South Shore	1,100,000	23	36.8	City of Longueuil	Exo Saint-Bruno
11	South Shore	2,178,000	18.6	32.6	Ikea Properties Limited	REM Du Quartier
12	Laval	1,700,000	30.1	20	Investissements Elmag Inc.	None
13	Laval	930,000	28.7	19	Quebec Gov. & other private	None
14	Laval	811,868	29.3	16.8	Montoni Group	None
15	Laval	1,700,000	27.9	24	To rent	Vimont Station/orange line
16	Laval	3,881,617	25.5	27.3	Montoni Group	Vimont Station/orange line
17	Laval	801,860	26.9	32.9	The K F Trust	Vimont Station/orange line
18	Laval	2,990,000	26.2	32.5	Canada Inc. Gestion SIB	Vimont Station/orange line

The plots in Anjou are appealing, but far from downtown and the airport

East End

The East End of Montreal is attractive because of the availability of several sites that are close to each other:

- Just a few meters from Highway 40, there is quick access to Montréal- Pierre Elliott Trudeau International Airport and downtown. However, the distance remains significant: about 30 km to the airport and 20 km to downtown. Crossing the island can present a challenge to travel during rush hour when traffic congestion is more severe.
- With the extension of the metro's blue line and the recently announced new REM project in the East End, the neighbourhood will be better served by public transportation than it is now. Currently, the Anjou Station, located 4 km from the available plots, is the best link to the public transportation network.
- Development projects will be undertaken in the area in the 2021.
- Site 1 is not officially for sale; however, the owner would consider a lease. Sites 2 and 3 would be good candidates for potential expansion of studios on Site 1.
- The sites are partially contaminated and would require decontamination work.

Average suitability



Map of available sites in Anjou

Size in ft² and estimated cost in \$



4 million ft²
\$60.1M



2.2 million ft²
\$33.3M



5.5 million ft²
\$82.3M

Notes: Details on price evaluation are outlined on page 56.

Sources: Montréal International, QFTC, CBRE, RCGT Analysis

Sites in the West Island are expensive, but well located

West Island

Lasalle and Lachine

The plots along the Lachine Canal stand out because of their strategic location:

- They are only about 10 kilometres from the airport and downtown, so they are close to hotels and stores.
- The public transportation system is accessible through the metro's green line at the Canal and Montréal-Ouest stations.
- Due to the many residential projects in the area, the price of these plots is above average.

Evaluation: **Good suitability**



Map of available sites in Lasalle/Lachine

Size in ft² and estimated cost in \$



0.9 million ft²
\$25.3M



3.1 million ft²
\$84.1M

Montréal–Pierre Elliott Trudeau International Airport

Located in the Technoparc Montréal, this is an ideal location to create a production hub and a mixed-use area:

- Only a few metres from the airport, this plot will be particularly well connected to the public transportation network with the new Marie-Curie REM station.
- Its very desirable location also means that the price of the land is about \$30 per ft².

Evaluation: **Good suitability**



Map of available sites in Dorval

Size in ft² and estimated cost in \$



1 million ft²
\$27.7M

Notes: Details on price evaluation are outlined on page 56.

Sources: Montréal International, QFTC, CBRE, RCGT Analysis

The main issues with the plots near the Saint-Hubert Airport are related to cost, noise pollution and vibrations

South Shore

Saint-Hubert Airport

Sites 7 and 8 are owned by the City of Longueuil and offer attractive size in a strategic location. However, soil quality issues for Site 7 and the irregular shape of Site 8 could be obstacles to creating a production studio at these locations.



Evaluation of Sites 7 and 8: **Average suitability**

The large size of Site 9 and its strategic location near the airport, stations and highway provide an attractive option. However, the risks of vibration and noise pollution and the cost still need to be confirmed.

Evaluation of Site 9: **Good suitability**



1.3 million ft²



1.3 million ft²



4.3 million ft²

Saint-Hubert

Owned by the City of Longueuil, this plot is not as well located as others in the area. In addition, there are natural environment issues at this location.

However, price and noise pollution are not problems with this site.

Evaluation:

Average suitability



1.1 million ft²

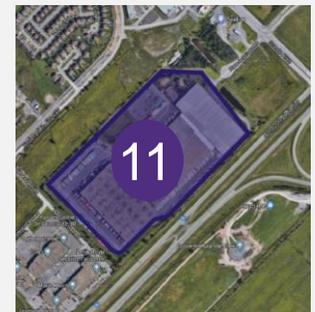
Brossard

The opportunity is located in former IKEA warehouses, near Highway 30 and the future REM station.

The price of the plot could not be determined during the analysis.

Evaluation:

n/a



2.2 million ft²

Notes: Details on price evaluation are outlined on page 57.

Sources: Montréal International, QFTC, CBRE, City of Longueuil, REM, RCGT Analysis

For reasons of reliability and the wide variation in prices over the past year, costs have not been reported.

Plots in the west of Laval are quickly accessible from Montréal–Pierre Elliott Trudeau International Airport

West of Laval

- Located the furthest west on the Island of Laval, Sites 12 to 14 are set at the intersection of Highways 13 and 440. This location is particularly convenient because of its quick access to the airport in Dorval. The sites along the highway are close to each other and provide opportunities for future studio expansion. However, these lands are very far from the public transportation network, which can present accessibility issues for the workforce and the creation of a production hub.
- Sites 15 and 16 are located closer to the centre of the island, at the intersection of Highways 15 and 440. These are distinguished by their above-average size, thus reducing the need for future acquisition of new plots for possible expansion. These sites are also closer to the Montmorency metro station, which can be reached by bus and is near Carrefour Laval.

Map of available sites west of Laval

Size in ft² and estimated cost in \$



1.7 million ft² 930,000 ft²
\$34M \$18.6M



811,868 ft²
\$16.2M



1.7 million ft²
\$34M



3.9 million ft²
\$78M

Notes: Details on price evaluation are outlined on page 57.

Sources: City of Laval, Montréal International, QFTC, CBRE, RCGT Analysis

The zoning bylaws and the cost of certain plots are subject to change in the coming years

East of Laval

- The sites on the east side of the Island of Laval are located at the intersection of Highways 19 and 440. There is more direct access to downtown, but that means it is not as close to Montréal–Pierre Elliott Trudeau International Airport.
- While Site 18 is an attractive size, the irregular shape could complicate the construction of a new production studio.

Maps of available sites east of Laval

Size in ft² and estimated cost in \$



801,860 ft²
\$16M



3 million ft²
\$60M

Notes on methodology

The cost of the plots presented is estimated using data obtained by the CBRE in 2019 and figures provided by the City of Laval.

Some zoning bylaws are subject to change in the coming years; however, all of the analyzed plots are zoned as industrial and commercial as of March 2021.

Areas	Average cost per acre	Average cost per ft ²
East End	\$653,400	\$15
West Island	\$1,197,900	\$28
Laval	\$849,420	\$20 to \$25
Downtown	\$1,633,500	\$38
North Shore	\$544,500	\$13
South Shore	\$522,720	\$12
Average	\$827,640	\$19

Sources: City of Laval, Montréal International, QFTC, CBRE, RCGT Analysis

Background, mandate and approach

Industry overview

City benchmarking

Production hubs and innovative technologies

Land lot analysis

Economic benefits

Tax incentives

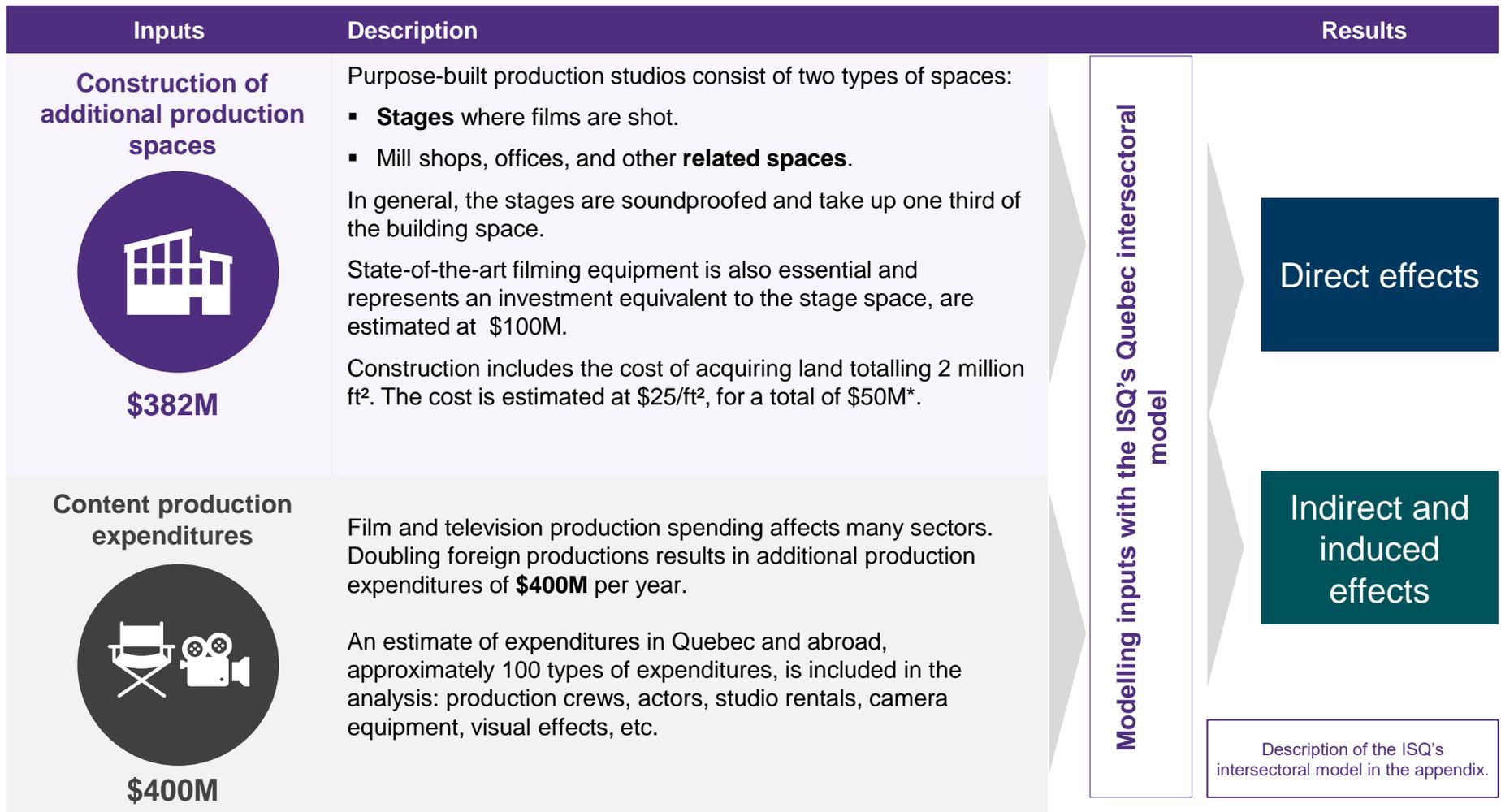
Conclusion

Appendices

The economic benefits analysis is based on two factors: the construction of additional space and the increase of productions

THE CONSTRUCTION OF A PRODUCTION AREA THAT WOULD NEARLY DOUBLE QUEBEC'S CURRENT FILMING CAPACITY WAS USED FOR ANALYSIS PURPOSES

Description of the economic benefits analysis



Sources: Industry consultations and RCGT analysis

* An expenditure for land acquisition does not represent an economic benefit for Quebec.

Investments related to the construction of an additional 1,200,000 ft² of production space are estimated at \$382M

PRODUCTION STUDIO COSTS INCLUDE THE BUILDING, THE SITE AND STATE-OF-THE-ART TECHNICAL EQUIPMENT

With the goal of doubling annual productions, Greater Montreal needs 1.2 million ft² of additional shooting space are required in the Greater Montreal area:

One third of this additional area is occupied by stages, for a total of 400,000 ft². The stages are better soundproofed and require more investment during construction. Consequently, the cost per ft² of these spaces is estimated at \$280.

- In order to optimize the occupancy of stage space, Mill workshops, warehouses, offices and other related spaces are needed. Research and interviews showed that these spaces are generally twice the size of the stages. These areas are less complex and require less investment, approximately \$150 per ft².

Description of the production space expansion project

Production spaces 		
Cost categories	Cost (\$)	Description
Additional spaces	232,000,000	<i>Studios and support spaces with a total surface area of 1,200,000 ft².</i>
Land	50,000,000	<i>2,000,000 ft² at \$25/ft²</i>
Equipment	100,000,000	<i>Film equipment</i>
Total	382,000,000	

Description of additional spaces			
Building	\$/ft ²	Surface area (ft ²)	Total (\$)
Stages	280	400,000	112,000,000
Workshops, warehouses, offices, etc.	150	800,000	120,000,000
Total		1,200,000	232,000,000

Sources: Industry consultations and RCGT analysis

The economic benefits of constructing an additional 1,200.000 ft² of production space is estimated at \$162.3M

FOR THE BUSINESS ACTIVITY GENERATED BY THE CONSTRUCTION OF ADDITIONAL PRODUCTION SPACE, THE TOTAL ECONOMIC BENEFITS ARE AS FOLLOWS:

- **1,613 jobs created or supported** (full-time equivalents), including 789 direct jobs.
- **\$162.3M in value added to GDP**, including \$83.6M in direct effects.
- **Tax contributions of \$12M** to the Quebec government and **\$7.7M** to the Canadian government.
- **Incidental contributions⁽¹⁾ of \$17.6M** to the Quebec government and **\$2.2M** to the Canadian government.

The Quebec economy will be supported by the expenditures associated with the construction of additional production spaces. Some of the economic and tax benefits come from the value added of the construction sector, mainly in the form of salary expenditures. The remaining impacts are distributed to immediate and subsequent suppliers of goods and services to the construction sector. Note that the economic benefits shown above are valid for the duration of the project.

THE TOTAL ECONOMIC BENEFITS (DIRECT AND INDIRECT) ARE AS FOLLOWS:



\$162.3M

in economic benefits on the GDP



1,613

jobs created or supported (FTEs)



\$39.5M

in revenue for governments

(1) The Quebec incidental contributions include QPP, HSF, CNESST and QPIP.

The Canadian incidental contributions include employment insurance.

Sources: Economic impact modelling using the ISQ intersectoral model, RCGT analysis

The details and breakdown of production expenses were estimated on the basis of interviews and production budgets

Summary of production expenditures per \$100M

Total	Quebec share	Foreign share	Salaries and benefits	Other expenses
	\$	\$	\$	\$
\$100,000.000	76,453,008	23,546,992	46,279,906	53,720,094
100%	76.5%	23.5%	46.3%	53.7%

Production expenditure breakdown

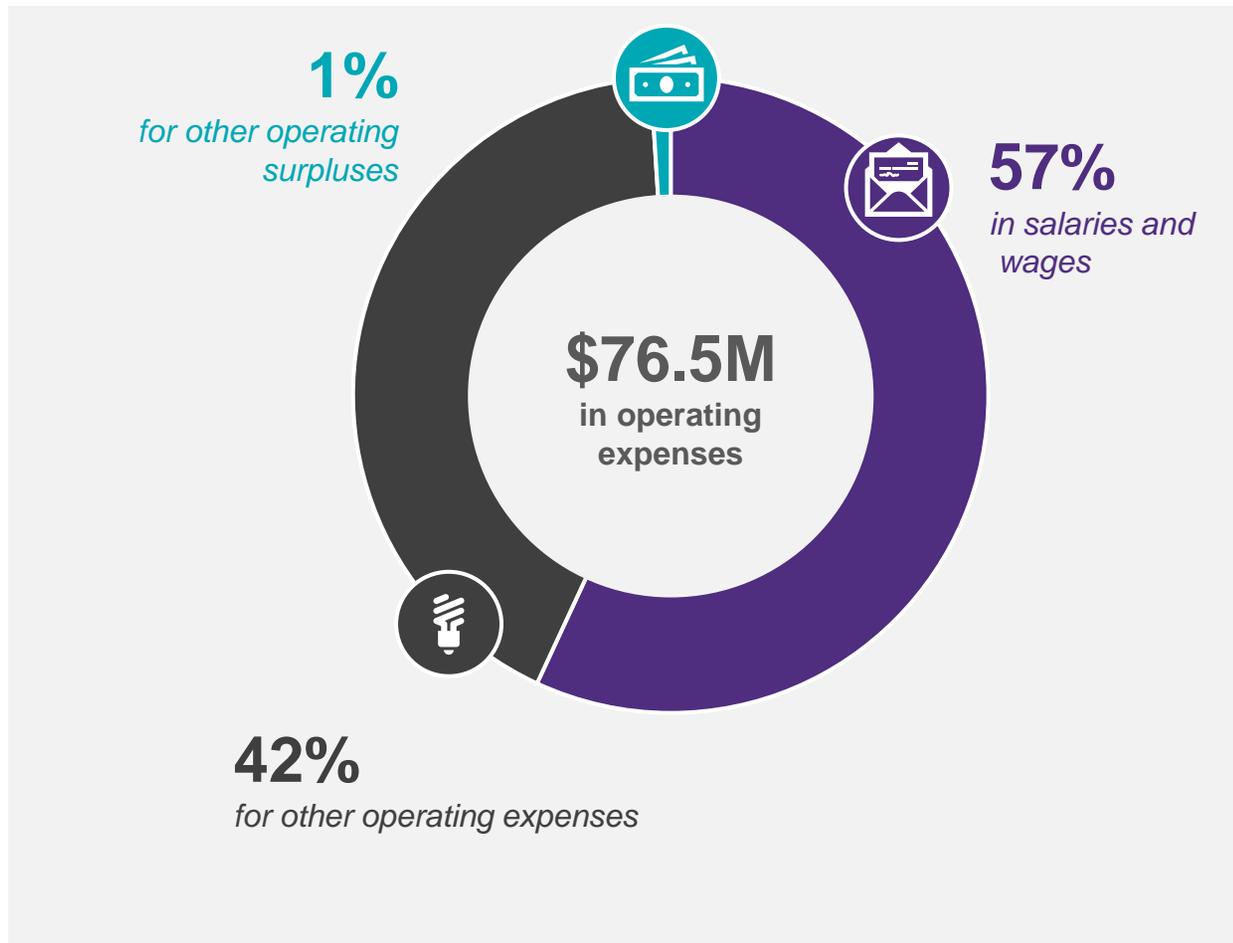
- Story rights/acquisitions
- Script
- Development costs
- Producer
- Director
- Stars
- Actors
- Extras
- Production team
- Artistic design team
- Construction team
- Set design team
- Props team
- Special effects team
- Animal wrangling team
- Wardrobe team
- Makeup/hair team
- Technical video team
- Camera team
- Electrical team
- Grip team
- Sound team
- Transportation team
- Benefits
- Production office expenses
- Studio expenses
- Location office expenses
- Operating expenses
- Travel/living expenses
- Transportation
- Construction material
- Art supplies
- Set dressing
- Props
- Special effects
- Animals
- Wardrobe
- Makeup/hair supplies
- Videotape studio
- Mobile video unit
- Camera equipment
- Electrical equipment
- Grip equipment
- Sound equipment
- Second unit
- Videotape stock
- Production laboratory
- Editing equipment
- Video post production (picture)
- Video post production (sound)
- Post-production laboratory
- Post-production sound
- Music
- Titles/optical effects/archives/visual effects

Sources: RCGT production budgets, Irene Litinsky, Dan Auclair, RCGT analysis

In a \$100M budget for a foreign production, salaries and wages represent 57% of the expenditures made in Quebec

Distribution of production studio operating expenses per \$100M of foreign production

Quebec, in \$000,000, in %



For every \$100M of foreign production in Quebec, **in-province expenditures of \$76.5M** were estimated based on production budgets provided during interviews.

Including this expenditure in the ISQ's intersectoral model is based on an analysis of detailed budgets conducted by the Policy Research Group of the Department of Canadian Heritage.

Other operating expenses include professional services, miscellaneous materials, food and other general operating expenses.

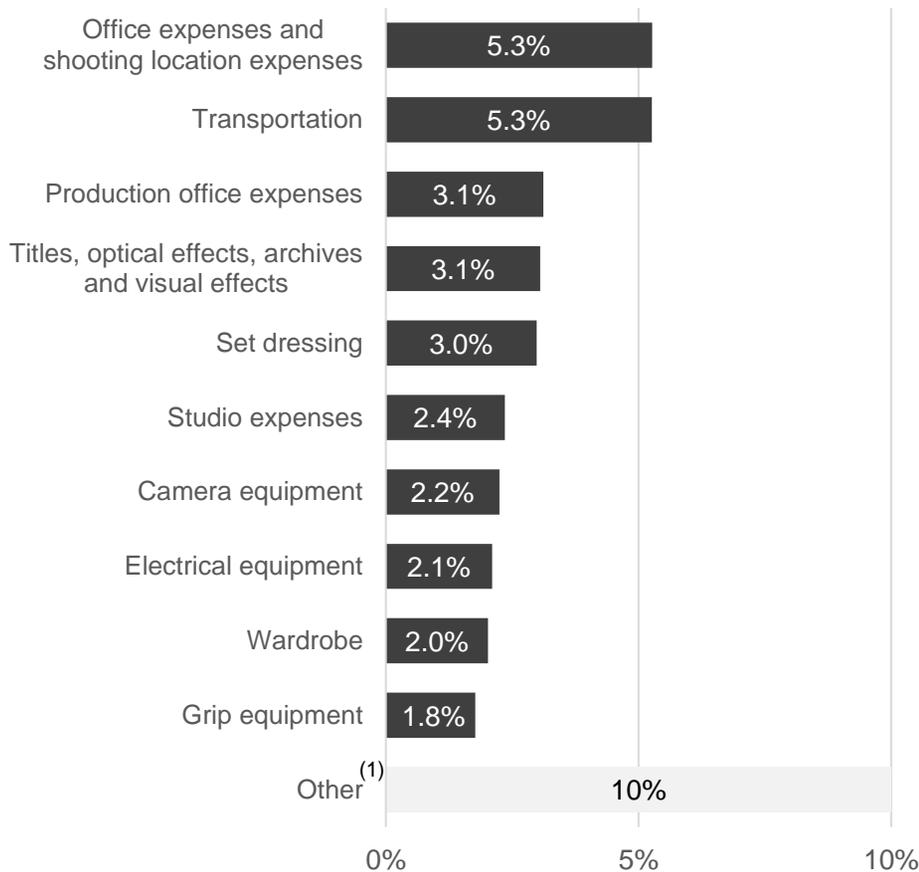
Other operating surpluses include employee benefits and other social expenses.

Sources: Economic Impact of Audiovisual Treaty Coproductions and Co-ventures in Canada (Canadian Heritage), RCGT Analysis

In a \$100M budget for a foreign production, other operating expenses cover 42% of the expenditures made in Quebec

Distribution of production studio operating expenses – Details of other operating expenses

Quebec, in M\$, in % of operating expenses



(1) Other includes 21 minor expenses representing less than 1.8% of operating expenses.

Sources: Economic Impact of Audiovisual Treaty Coproductions and Co-ventures in Canada (Canadian Heritage), RCGT Analysis

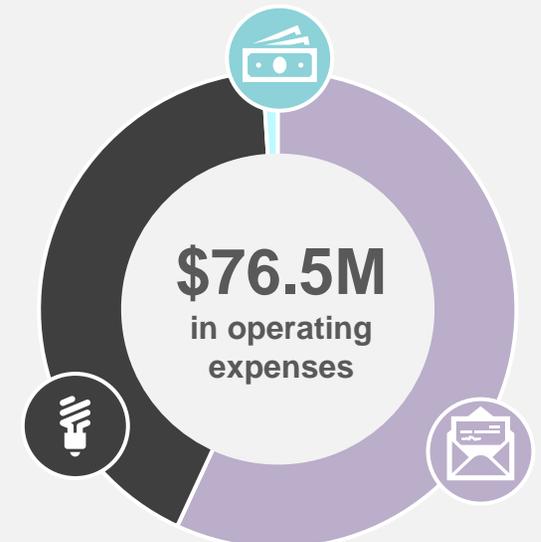
Of the total \$76.5M in expenditures in Quebec for every \$100M in foreign productions, 42% is for other operating expenses.

These other operating expenses are distributed among more than 30 categories, the most significant of which are office, location and transportation expenses, which amount to 5.3% each. Production office expenses represent 3.1% of expenditures in Quebec.

Reminder of the distribution of operating expenses per \$100M of foreign production

Quebec, in \$M, in %

42%
for other operating expenses



For every \$100M of foreign production in Quebec, the direct, indirect and induced economic benefits total \$94.1M



\$94.1M

in direct, indirect and induced economic benefits on the GDP



1,383

jobs supported or created (FTEs)



\$28.2M

in revenues for the Quebec and Canadian governments

The Quebec economy will be supported by the operating expenses generated by the presence of foreign productions. A major part of the economic and tax benefits come from the added value of the film sector in Quebec, mainly in the form of salary expenditures. The remaining benefits go to the immediate and subsequent suppliers who provide goods and services for the productions and to the current consumption expenditures of households that are directly or indirectly affected by the studio operation.

The number of jobs created or supported in Quebec by \$100M in production is 1,383 including 794 direct jobs.

According to the modelling results, the Quebec and Canadian governments receive a total of \$28.2M in revenues for every \$100M spent on foreign productions. This figure includes direct, indirect and induced tax revenues, as well as incidental taxes.

A summary of the direct, indirect and induced economic benefits of production expenditures that would increase Quebec's current filmmaking capacity by approximately 100% is outlined on page 70.

Sources: Economic impact modelling using the ISQ intersectoral model, RCGT analysis

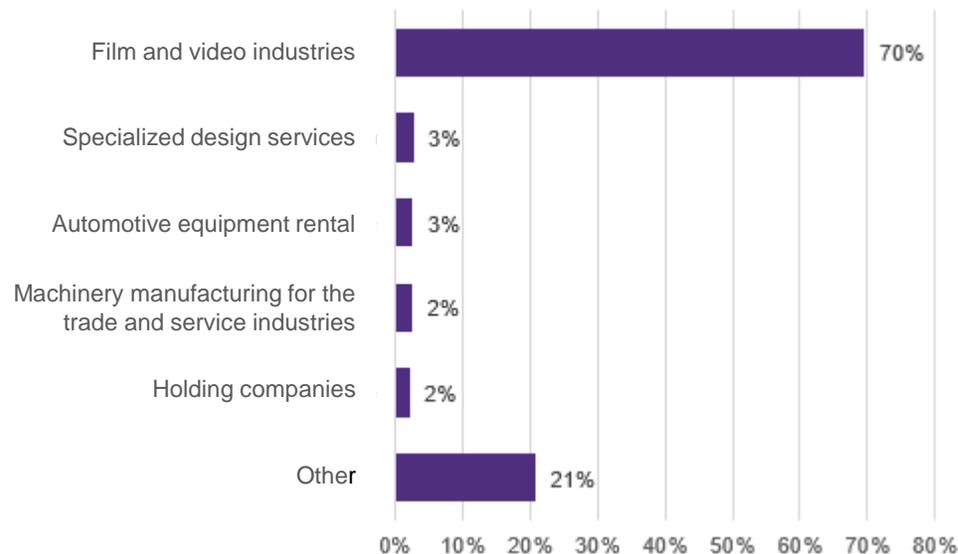
Many business sectors are supported by the presence of foreign productions in Quebec

Approximately 30% of the direct and indirect economic benefits represent the value added by companies that supply goods and services to the audiovisual production industry.

Specialized design services and automotive equipment rental are among the industries most supported by foreign production operating expenses. The remaining indirect impact is divided by expenditures that affect several other business sectors.

Breakdown of direct and indirect economic impact by business sector

Quebec, 2021, in % of economic impact on value added to the GDP



Sources: Economic impact modelling using the ISQ intersectoral model, RCGT analysis

Supported sectors

These business lines are supported by production operating expenses for materials, professional services, vehicle rentals, travel, insurance, storage, advertising, etc.

Film and video industries (NAICS 5121): Businesses whose primary activity is producing and/or distributing films, videos, television programs or commercials, as well as showing films or providing post-production and related services.

Specialized design services (NAICS 5414): Businesses whose primary activity is providing specialized design services, except architectural and engineering design services and computer systems design services.

Automotive equipment rental (NAICS 5321): Businesses whose primary activity is renting or leasing vehicles, such as cars, minibuses, trucks, etc., without drivers.

Holding companies (NAICS 551113): Businesses whose primary activity is holding the securities of other businesses (or other interests in such businesses) to exercise control over them, directly or through subsidiaries, and/or to influence their management decisions.

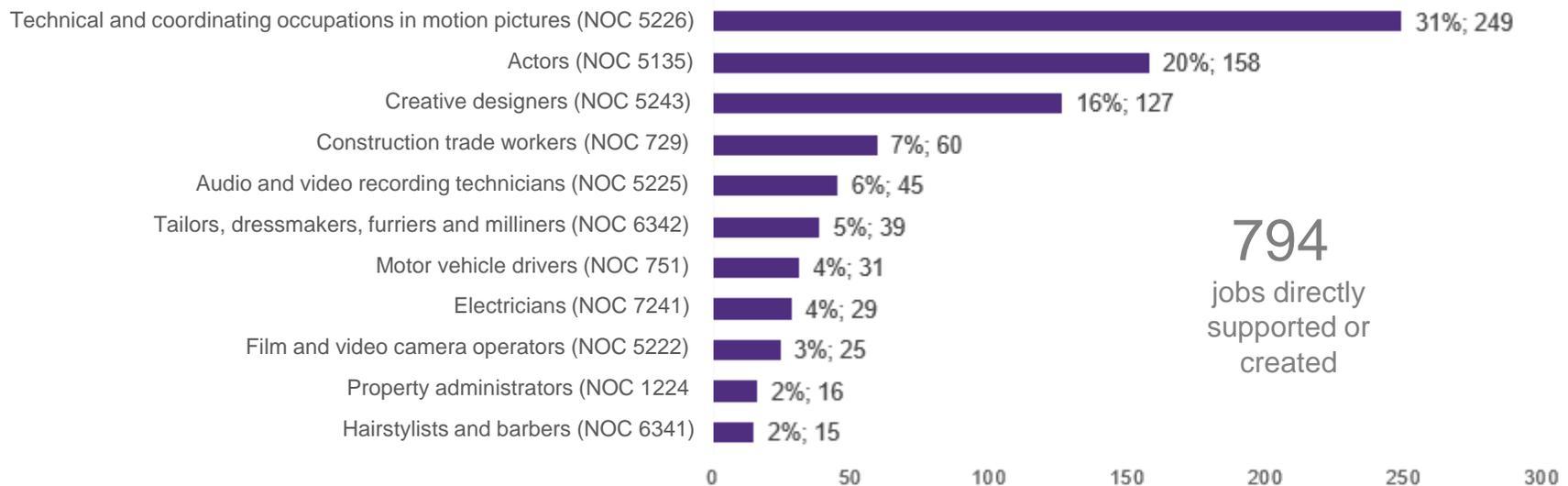
794 jobs are supported or created directly in Quebec for every \$100M of foreign production

Based on an analysis of detailed budgets conducted by the Policy Research Group of the Department of Canadian Heritage, the salary and wage expenditures for each of the film crews were allocated to several job categories using the National Occupational Classification (NOC)¹.

The total value of wages and salaries was divided by the assumed average wage to estimate the number of direct FTEs. Full-time salary data for various occupations in the production sector was obtained from Emploi-Québec's *Guide des salaires selon la profession au Québec*¹.

Jobs supported or created directly for every \$100M of foreign production

Quebec, 2021, in % of jobs supported or created, in FTE jobs



¹ Average salaries, shown in 2016 dollars, have been converted to 2021 dollars using a 2% annual escalation rate. Salary data provided by the Alliance of Image and Sound Technicians (AQTIS) Local 514 IATSE has made it possible to make adjustments for certain trades.

Source: RCGT Analysis

Summary of jobs directly supported or created for every \$100M of foreign production in Quebec

Summary of jobs directly supported or created for every \$100M of foreign production in Quebec

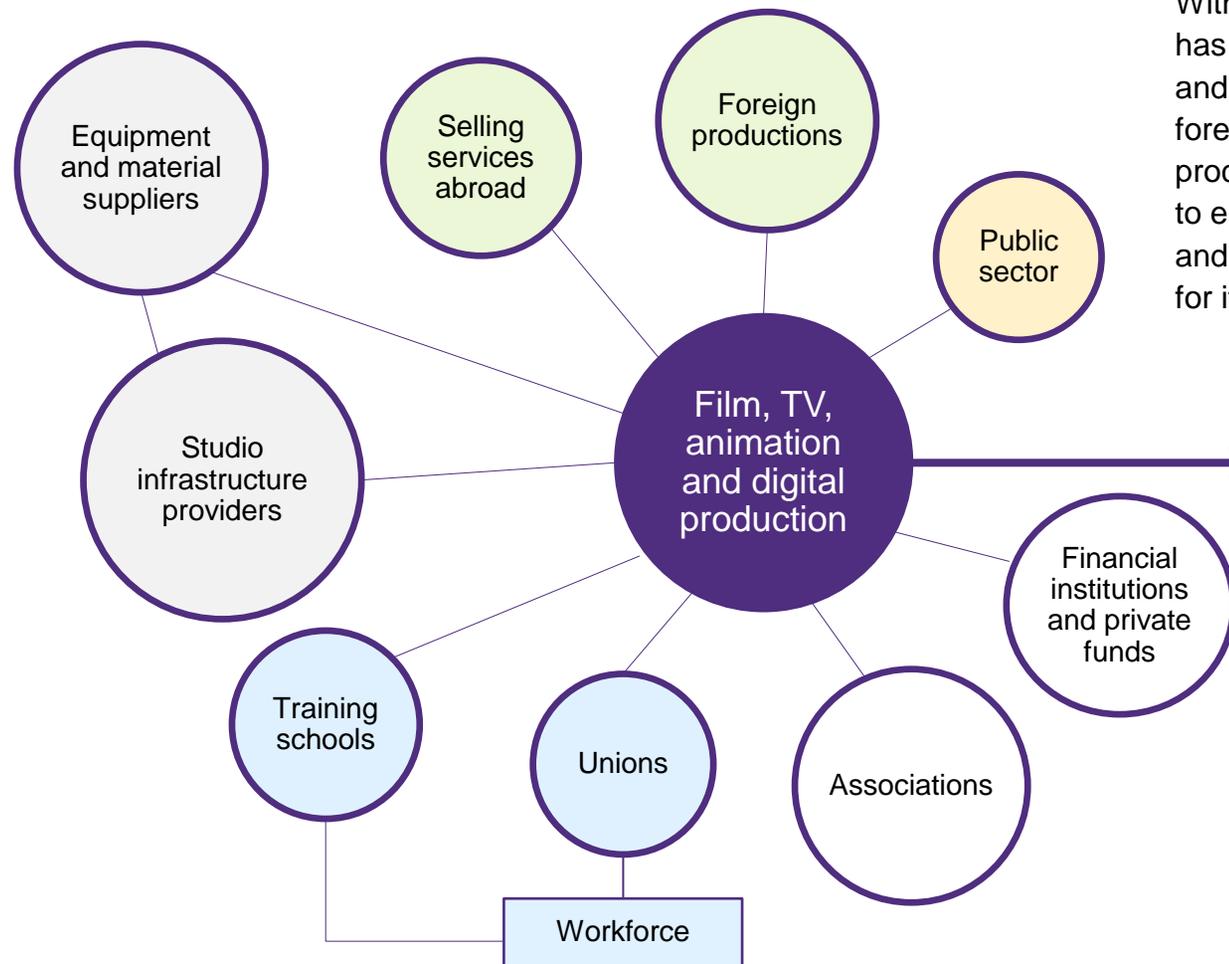
Quebec, in FTE jobs, by budget category

Professions	Budget categories	Jobs (FTEs)
Technical and coordinating occupations in motion pictures (NOC 5226)	Production team	199
	Grip team	40
	Special effects team	9
	Animal wrangling team	1
Actors (NOC 5135)	Actors and extras	158
Creative designers (NOC 5243)	Artistic design team	64
	Set design team	62
Construction trade workers (NOC 729)	Construction team	60
Audio and video recording technicians (NOC 5225)	Production laboratory	25
	Sound team	20
Tailors, dressmakers, furriers and milliners (NOC 6342)	Wardrobe team	39
Motor vehicle drivers (NOC 751)	Transportation team	31
Electricians (NOC 7241)	Electrical team	29
Film and video camera operators (NOC 5222)	Camera team	25
Property administrators (NOC 1224)	Props team	16
Hairstylists and barbers (NOC 6341)	Makeup/hair team	15
Total		794

Source: RCGT Analysis

Growth in production capacity involves many stakeholders in the ecosystem

GROWTH IN STUDIO INFRASTRUCTURE AND TECHNICAL EQUIPMENT TO MEET INCREASING FOREIGN DEMAND CANNOT BE ACCOMPLISHED WITHOUT TAKING OTHER INDUSTRY STAKEHOLDERS INTO ACCOUNT



With its quality educational institutions, Montreal has all the tools to offer a qualified workforce and increase its available pool to accommodate foreign productions. However, growth must proceed in collaboration with specialized schools to ensure an adequate supply. The video game and VFX industry also help Montreal stand out for its highly qualified workforce.

- The production ecosystem in Quebec includes:**
- Directors
 - Technicians
 - Other professionals
 - Musicians
 - Scriptwriters
 - The VFX industry
 - Animation services
 - Image and sound post-production services
 - Dubbing
 - Subtitling
 - And more

Sources: Administration office of the QFTC's Audiovisual Group, AQTIS Local 514 IATSE, RCGT Analysis

Increased production capacity will also have a positive impact on the skills of the local workforce

More major foreign productions will generate investments in state-of-the-art technology in Quebec studios. Access to this innovative equipment will help the local workforce develop its skills and adapt quickly to innovations in the field.

These investments are often undertaken to meet the creative needs of large foreign productions. They are a real lever of attraction. However, domestic productions will subsequently be able to benefit from this infrastructure, modern equipment and a qualified workforce with diversified skills.

In addition, foreign productions in Quebec generate networking opportunities between the local workforce and international stakeholders in the audiovisual industry. These interactions can create opportunities for business development and exports of productions developed in Quebec.



Workforce recruitment will be a challenge in increasing Quebec's current shooting capacity

The Alliance of Image and Sound Technicians (AQTIS) Local 514 IATSE represents 7,000 freelance artisans who contribute to the conception, planning, implementation and creation of local and foreign audiovisual productions. The artists, artisans and technicians represented by AQTIS Local 514 IATSE perform many functions within productions: production office, logistics, construction, painting, sculpture, set design, props, lighting, grips, wardrobe, hair, special effects, transportation, etc.¹.

According to AQTIS Local 514 IATSE, the industry is facing an ageing workforce, a perceived shortage, constant technological changes and the evolution of certain professions. More than ever, basic and advanced training are essential to ensure the industry's sustainability and development, as well as the renewal and skills of the workforce.

With a view to increasing Quebec's current shooting capacity by 100%, AQTIS Local 514 IATSE stresses that it will be fundamental to develop appropriate training programs and to facilitate the integration of future workers. Supporting the development of continuing education and identifying the current and future skills of the workforce will be essential; otherwise, it will be difficult to fully accommodate the anticipated volume.

To meet the objectives, AQTIS Local 514 IATSE is committed to the following steps:

1. Conducting a study of training needs.
2. Compiling an initial list of training needs.
3. Developing or adapting training programs by discipline.

AQTIS Local 514 IATSE has received a \$200,000 grant from the Commission des partenaires du marché du travail (CPMT) to support these efforts.

(1) It should be noted that some roles within productions are outside the scope of AQTIS.

Source: Image and Sound Technicians (AQTIS) Local 514 IATSE, RCGT Analysis

Summary of economic benefits for additional production expenditures of \$400M per year in Quebec

THE FOLLOWING TABLE PRESENTS THE ECONOMIC BENEFITS OF PRODUCTION EXPENDITURES THAT WOULD NEARLY DOUBLE QUEBEC'S CURRENT FILMING CAPACITY

Summary of economic benefits for additional production expenditures of \$400M per year
Quebec, in M\$

	Total
Total # of jobs (FTEs)	5,532 jobs
Total value added to GDP	\$376.4M
Quebec government tax revenues	\$40.4M
Federal government tax revenues	\$21.6M
Total government tax revenues	\$62.0M
Quebec government incidental tax revenues	\$43.2M
Federal government incidental tax revenues	\$7.6M
Total government incidental tax revenues	\$50.8M

Sources: Economic impact modelling using the ISQ intersectoral model, RCGT analysis

Background, mandate and approach

Industry overview

City benchmarking

Production hubs and innovative technologies

Land lot analysis

Economic benefits

Tax incentives

Conclusion

Appendices

Comparison of tax credits by province

In recent years, Quebec has been perceived as a place where innovation, creativity, skilled labour and competitive tax credits can be found, which has attracted many foreign corporation to the province.

However, some other Canadian provinces, such as British Columbia and Ontario, also offer competitive tax incentives and a wide range of infrastructures and facilities. As a result, there is a high level of competition among the Canadian provinces as well as potential for growth in the volume of film and television production in Quebec, particularly in Montreal, related to both foreign and local producers.

The following tables compare the tax incentives in British Columbia, Ontario and Quebec for the Film and Television Production Services Tax Credit (PSTC) and the Film and Television Production Tax Credit (FTTC).

These scenarios are based on a hypothetical \$1M contract where labour represents 65% of the expenditures.

Three comparisons and estimates are presented in this section:

- I. Film and Television Production Services Tax Credit (PSTC)
- II. Film and Television Production Tax Credit – **without** regional bonus (FTTC)
- III. Film and Television Production Tax Credit – **with** regional bonus (FTTC)

The section on tax incentives concludes with three recommendations for enhancing the existing credits.

Assumptions for the three comparisons and estimates

Contract cost	\$1,000,000
Labour costs attributable to the contract	\$650,000

Comparison by province of the Film and Television Production Services Tax Credit

Film Production Services Tax Credit	Tax credit rates					Labour expenditure cap	Effective rate (%)		
	Base rate	Digital animation, visual effects, and post-production bonus	Regional production bonus	Distant location bonus for remote location	Maximum rate (%)		Min.	Max.	
	<i>(in % of labour expenditures)</i>						<i>(in % of production costs)</i>		
CANADA	16	n/a	n/a	n/a	16	none	16	16	
BRITISH COLUMBIA	28	16	6	6	56	none	28	56	

Film and Production Services Tax Credit	Tax credit rates					Expenditure cap	Effective rate (%)		
	Base rate	Special effects and computer animation bonus	Regional production bonus	Distant location bonus for remote location	Maximum rate (%)		Min.	Max.	
	<i>(in %)</i>						<i>(in % of production costs)</i>		
QUEBEC	20 ¹	16 ²	n/a	n/a	36	none	20	36	
ONTARIO	21.5 ³	18 ⁴	n/a	n/a	39.5	none	21.5	39.5	

1 Production costs, including labour costs and qualified property costs.

2 Qualified labour costs.

3 Production costs.

4 Labour costs.

I. Film and Television Production Services Tax Credit (PSTC)

Estimated tax credit – PSTC	Quebec	Ontario	British Columbia
Provincial			
PSTC – Qualified labour costs	20 %	21.5 %	28.0 %
PSTC – Qualified property cost	20 %	21.5 %	n/a
Bonus (special effects and animation)	16 %	18.0 %	16.0 %
Federal			
PSTC – Qualified labour costs	16 %	16 %	16 %
Assumptions			
Cost of service contract	\$1,000,000	\$1,000,000	\$1,000,000
Labour costs attributable to the contract	\$650,000	\$650,000	\$650,000
<u>Provincial</u>			
Base rate	\$200,000	\$215,000	\$182,000
Increase (special effects and animation)	\$ -	\$ -	\$ -
Total – Provincial credit	\$200,000	\$215,000	\$182,000
<u>Federal</u>			
Labour costs attributable to the contract	\$650,000	\$650,000	\$650,000
Provincial tax credit calculated on labour	\$130,000	\$139,750	\$182,000
Qualified labour for the tax credit	\$520,000	\$510,250	\$468,000
Total – Federal credit	\$83,200	\$81,640	\$74,880
Total tax credits	\$283,200	\$296,640	\$256,880
Effective tax credit rate per 1M\$ of expenditures (%)	28.32%	29.66%	25.69%

Comparison by province of the Film and Television Production Tax Credit

Film production tax credit	Tax credit rates								Labour expenditure cap	Effective rate (%)		
	Base rate	Bonus for...						Maximum rate (%)		(in % of production costs)	Min	Max.
		1st \$240,000 for first-time producers	Special effects and computer animation	Regional production	Regional production for distant location	Training	Without public funding					
	<i>(in % of labour expenditures)</i>											
CANADA	25	n/a	n/a	n/a	n/a	n/a	n/a	25	60	15	15	
BRITISH COLUMBIA	35	n/a	16	12.5	6	3 ¹	n/a	72.5	60	21	43.5	
QUEBEC	French-language or giant-screen production that is not adapted from a foreign format	40	n/a	n/a	10	n/a	n/a	16	66	50	20	33
	French-language or in giant-screen production that is adapted from a foreign format	36	n/a	n/a	10	n/a	n/a	16	62	50	18	31
	Other production that is not adapted from a foreign format	32	n/a	10	20	n/a	n/a	16	66 ²	50	16	33
	Other production that is adapted from a foreign format	28	n/a	10	20	n/a	n/a	16	62 ³	50	14	31
ONTARIO	35	5	18	10	n/a	n/a	n/a	68	None	35	68	

¹ Maximum 30% of the amount paid to employees in training.

² The total may not exceed 66%.

³ The total may not exceed 62%.

II. Film and Television Tax Credit (FTTC without regional bonus)

Estimated tax credit – FTTC without regional bonus	Quebec	Ontario	British Columbia
Provincial			
FTTC – Base rate	32% ¹	35%	35%
Federal			
FTTC – Base rate	25%	25%	25%
Assumptions			
Contract cost	\$1,000,000	\$1,000,000	\$1,000,000
Labour costs attributable to the contract	\$650,000	\$650,000	\$650,000
<u>Provincial</u>			
Production costs	\$1,000,000	n/a	\$1,000,000
Limit	50%	n/a	60%
Limit based on production costs	\$500,000		\$600,000
Labour expenditure	\$650,000	\$650,000	\$650,000
Qualified labour expenditure ²	\$500,000	\$650,000	\$600,000
Total – Provincial credit	\$160,000	\$227,500	\$210,000
<u>Federal</u>			
Production costs	\$1,000,000	\$1,000,000	\$1,000,000
Amount of assistance	(\$160,000)	(\$227,500)	(\$210,000)
Limit	\$840,000	\$772,500	\$790,000
Limit	60%	60%	60%
Production cost limit	\$504,000	\$463,500	\$474,000
Labour expenditure	\$650,000	\$650,000	\$650,000
Qualified labour expenditure ²	\$504,000	\$463,500	\$474,000
Total – Federal credit	\$126,000	\$115,875	\$118,500
Total tax credits	\$286,000	\$343,375	\$328,500
Effective tax credit rate per 1M\$ of expenditures (%)	28.60%	34.34%	32.85%

¹ We are assuming that this is not a production adapted from a foreign format. Otherwise, the base rate is 28%.

² Corresponds to the lesser of the limit based on production costs and labour expenditure.

III. Film and Television Tax Credit (FTTC with regional bonus)

Estimated tax credit – FTCC with regional bonus	Quebec	Ontario	British Columbia
Provincial			
FTTC – Base rate	32% ¹	35%	35%
FTTC – Regional bonus	20% ¹	10%	12.5%
Federal			
FTTC – Base rate	25%	25%	25%
Assumptions			
Contract cost	\$1,000,000	\$1,000,000	\$1,000,000
Labour costs attributable to the contract	\$650,000	\$650,000	\$650,000
<u>Provincial</u>			
Production costs	\$1,000,000	n/a	\$1,000,000
Limit	50%	n/a	60%
Limit based on production costs	\$500,000		\$600,000
Labour expenditure	\$650,000	\$650,000	\$650,000
Qualified labour expenditure ²	\$500,000	\$650,000	\$600,000
Tax credit – Base rate	\$160,000	\$227,500	\$210,000
Tax credit – Regional bonus³	\$ -	\$65,000	\$75,000
Total – Provincial credit	\$160,000	\$292,500	\$285,000
<u>Federal</u>			
Production costs	\$1,000,000	\$1,000,000	\$1,000,000
Amount of assistance	(\$160,000)	(\$292,500)	(\$285,000)
Limit	\$840,000	\$707,500	\$715,000
	60%	60%	60%
Production cost limit	\$504,000	\$424,500	\$429,000
Labour expenditure	\$650,000	\$650,000	\$650,000
Qualified labour expenditure ²	\$504,000	\$424,500	\$429,000
Total – Federal credit	\$126,000	\$106,125	\$107,250
Total tax credits	\$286,000	\$398,125	\$392,250
Effective tax credit rate per 1M\$ of expenditures (%)	28.60%	39.86%	39.23%

¹ We are assuming that this is not a production adapted from a foreign format. Otherwise, the base rate is 28%.

² Corresponds to the lesser of the limit based on production costs and labour expenditure.

³ The regional bonus was not considered for purposes of the Quebec tax credit because only available to corporations that do not carry on their film or television production activities mainly within the Montreal area.

The Film and Television Production Services Tax Credit is the most appropriate tool to increase foreign productions in Quebec

As shown in the preceding tables, there is a high level of competition among Canadian provinces with respect to the Film and Television Production Services Tax Credit and the Film and Television Tax Credit rates.

The most appropriate tool to attract foreign productions to Quebec is the Film and Television Production Services Tax Credit, as stated when it was introduced in March 1998. The objectives of this credit are:

- To support the efforts made by various stakeholders to convince foreign producers to choose Quebec as a shooting location.
- To stimulate job creation in the fields related to film and television production.
- To establish healthy competition between Quebec and other jurisdictions so that Quebec remains a location of choice for shooting foreign productions.

When a foreign company decides on its shooting location, its decision is based on a financial analysis that relies primarily on the tax credit, its predictability and its simplicity. The production services tax credit remains the only fair, simple and inexpensive-to-manage solution that can meet both the needs of foreign producers and the government's objectives.



Three recommendations based on the comparative analysis of the tax incentives

Therefore, we present the following recommendations to ensure that Quebec remains competitive.

Recommendation #1

Bonus for repeat business and volume

As part of the Film and Television Production Services Tax Credit (PSTC)

Recommendation #2

Seasonal bonus

As part of the Film and Television Production Services Tax Credit (PSTC)

The full and final version of this study includes a detailed description of the recommendations as well as suggestions on how to implement these recommendations.

Recommendation #3

Modification of the regional production bonus with regards to the Film and Television Production Tax Credit and addition of the same bonus under the Film and Television Production Services Tax Credit

As part of the Film and Television Tax Credit (FTTC) and the Film and Television Production Services Tax Credit (PSTC)

Recommendation #1

Bonus for repeat business and volume

PROPOSAL

In recent years, some major players in the industry have signed long-term agreements to establish production hubs in Canada, such as in British Columbia and Ontario. For example, Netflix signed deals with Cinespace Studios and Pinewood Toronto Studios in early 2019 to expand its production base in Ontario. Furthermore, in 2020, the American giant signed a long-term agreement with the Canadian Motion Picture Park outside Vancouver. We have noted that these provinces have not only expanded their facilities, but have also built new production studios to meet the demand of foreign producers. However, the same level of expansion and development has been witnessed in Quebec.

As of the date of this document, the Film and Television Production Services Tax Credit does not include an enhanced credit rate based on repeat business or a volume commitment in Quebec. Therefore, we suggest that an enhancement rate be provided when a production corporation commits to a certain production volume on a multi-year basis¹ in order to attract more foreign producers on a long-term basis. This bonus could be granted as a percentage of eligible expenses incurred in Quebec when the annual production volume threshold is reached. For example, a bonus rate percentage (to be determined) could be given when a corporation company spends more than \$40M per live action project in Quebec over a five year period.

We believe that such an incentive could attract big-budget productions and help ensure a long-term occupancy of Quebec's facilities.

¹ Minimum level of production volume to be determined.

Recommendation #2

Seasonal bonus

PROPOSAL

It is obvious that the weather conditions during the winter months may discourage some foreign producers from choosing Quebec as a shooting location. Depending on the shooting period and the desired setting, the weather can be a major obstacle.

Therefore, we suggest implementing an enhanced credit rate for filming occurring during the months of January, February and March. This enhanced credit rate with regards to the Film and Television Production Services Tax Credit could be granted as a percentage of eligible expenses incurred in Quebec during this three-month period.

We believe that such an incentive could attract foreign producers during a slower time of the year and help ensure that Quebec's facilities are fully occupied throughout the entire year.



Recommendation #3

Modification of the regional production bonus with regards to the Film and Television Tax Credit and addition of the same bonus under the Film and Television Production Services Tax Credit

CURRENT REQUIREMENTS IN QUEBEC

As of the current date, the regional bonus is only available for the Film and Television Production Tax Credit. A corporation may be recognized as a regional corporation if:

- It does not carry on its film or television production activities mainly within the Montreal area during the particular taxation year in which it files its application for a regional corporation certificate or during the 24-month period preceding that year.
- It deals at arms length with all corporations that carry on film or television production activities mainly within the Montreal area, at any time in the particular taxation year or the 24-month period preceding that year; and
- It is not directly or indirectly controlled in any manner whatever at any time in the particular taxation year or the 24-month period preceding that year, by one or more individuals domiciled in the Montreal area or by one or more corporations that carry on film or television production activities mainly within the Montreal area.

As described above, the regional bonus in Quebec is based on the geographical location of the production corporation and the person who controls the production corporation.

The expenses that are eligible for this enhanced credit rate are labour expenditures, otherwise eligible for the tax credit, that are directly attributable to services rendered outside the Montreal area. In addition, the bonus rate is **10%** or **20%** depending on the type of production.

¹ In this section the “Montréal area” means the portion of the territory of Québec located within 25 km, by the shortest passable road normally used, from any point in a circle having a radius of 25 km the centre of which is the Papineau subway station.

Recommendation #3

Modification of the bonus for the regional Film and Television Tax Credit and addition of the same bonus to the Film and Television Production Services Tax Credit

COMPARISON WITH OTHER PROVINCES

- In comparison with Quebec, the regional bonus in other provinces, such as British Columbia and Ontario, **is not** based on the geographic location of the production corporation or who controls the production corporation. Instead, this enhancement is based on the number of location days outside the studio and outside the region, which makes it much more accessible than in Quebec. As a result, Quebec is currently losing many business opportunities, as local and foreign producers tend to choose other Canadian provinces for their regional filming due to the higher tax credit rates.

Requirements to qualify for the regional tax credit and bonus rate

British Columbia and Ontario

	BRITISH COLUMBIA	ONTARIO
Criteria	<ul style="list-style-type: none">• At least five principal photography days outside the designated Vancouver area AND• Over 50% of the BC principal photography days must be outside the designated Vancouver area.	<ul style="list-style-type: none">• Productions that are shot in Ontario entirely outside of the Greater Toronto Area OR• At least five location days in Ontario and at least 85% of the location days in Ontario are outside the Greater Toronto Area.
Bonus rate	12.5%	10%

Recommendation #3

Modification of the bonus for the regional Film and Television Tax Credit and addition of the same bonus to the Film and Television Production Services Tax Credit

PROPOSAL

We propose an amendment to the regional production tax credit (with regards to Film and Television Production Tax Credit) in order for this enhancement to be based on the number of days filming outside the Montreal area instead of being based solely on the geographic location of the production corporation.

In addition, we recommend that this same regional production tax credit (based on the number of days filming outside of the Montreal area) be added to the Film Production Services Tax Credit.

The current requirements in Quebec make it difficult for a production corporation to qualify for the regional enhanced credit rate, for both local and foreign producers. In fact, it is obvious that foreign producers tend to choose other Canadian provinces for their regional filming over Quebec.

We believe that this proposed change would encourage local producers as well as foreign producers to shoot outside of the Montréal area, which could significantly increase the annual production volume and the infrastructure needed in Quebec to support this increase. If no change are made to the regional production bonus, local and foreign producers will continue to gravitate towards other Canadian provinces without prioritizing Quebec as a filming location.

Background, mandate and approach

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City benchmarking

Production hubs and innovative technologies

Land lot analysis

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Conclusion

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“Build it and they will come”

Several industry stakeholders were consulted as part of the mandate. Those interviewed in Montreal included studio owners, line producers, investors, public sector players, unions, etc. One line was mentioned by everyone: “Build it and they will come.”

WHAT TO KEEP IN MIND ABOUT THE STATE OF THE INDUSTRY TODAY

- Film and television production volume in Quebec was estimated at \$2 billion in 2018-2019, with foreign productions and production services accounting for 41%.
- Media content consumption is on the upswing. It has migrated to SVOD platforms at the expense of movie theatres, cable TV and DVD sales.
- SVOD platforms launched 94 new television series projects in 2020, including 24 in Canada. For comparison, in 2019, the number of SVOD series productions shot in Canada was 13.
- Television series occupy shooting locations over a longer period of time.
- Studio capacity in Los Angeles and New York is saturated. Producers are looking to cities where space and infrastructure are available. Tax incentives also play an important role in the choice of locations.
- Production growth in Canada is mainly fuelled by foreign productions.
- Studios in Toronto are the most direct competitors of the Montreal studios. The Ontario city has embarked on the largest volume of expansion projects in terms of area in North America.
- New production infrastructures in competing cities are in the form of production ecosystems comparable to innovation zones.

Conclusion on economic benefits and tax incentives

ECONOMIC BENEFITS OF BUILDING THE NEW STUDIO

- The value added to the GDP by constructing an additional 1,200,000 ft² of production space is estimated at \$162.3M.
- 1,613 jobs will be supported during the construction phase (full-time equivalents).

ECONOMIC BENEFITS OF OPERATING EXPENSES

- For every \$100M of foreign production in Quebec, the direct, indirect and induced economic benefits on the GDP total \$94.1M.
- The number of jobs created or supported in Quebec by \$100M in production is 1,383, including 794 direct jobs (full-time equivalents).
 - With a view to increasing Quebec's current shooting capacity, AQTIS Local 514 IATSE stresses that it will be fundamental to develop appropriate training programs and to facilitate the integration of future workers.
- The Quebec and Canadian governments receive a total of \$28.2M in revenues for every \$100M spent on foreign productions.

TAX INCENTIVES

To remain competitive with other provinces and to increase the annual production volume in Quebec, we believe that our three recommendations could help Quebec stand out and attract more foreign producers in the “post-pandemic” world. Despite the degree of uncertainty at the present time, we believe that the global film and television industry will undergo significant growth in the near future and we want Quebec to be part of it.

A significant increase in Quebec's annual production volume would certainly require new facilities and infrastructure to be competitive with other provinces. In addition, this increase would help stabilize the workforce in Quebec and create ongoing jobs in the film and television industry.

Sources: Interviews, RCGT Analysis



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Economic benefits include jobs supported, value added to GDP and tax revenues

In this section, the economic benefits associated with the construction of additional production space were analyzed. This was done using the Quebec intersectoral model developed by the Institut de la statistique du Québec (ISQ). This is based on Statistics Canada's Supply and Use Tables (SUT). These tables are an accounting representation of the Quebec economy's production system. They can be used to trace the interrelationships underlying the exchange of goods and services between various business sectors in the Quebec economy, as well as with foreign countries.

The intersectoral model simulates a shock in the economy to measure its effects. The shock represents an expenditure in a defined sector and will be spread throughout the Quebec economy. For the purposes of this study, capital and operating expenditures were selected as inputs.

The analysis distinguishes between the direct and indirect impacts that result from these expenditures. Direct effects are those that impact the sector directly affected by the initial expenditure. Indirect effects involve the suppliers of the affected sector, the suppliers of those suppliers, and so on, until the total indirect effects are reached. The greater an industry's output, the greater its benefits.

The simulation outputs will include the following quantitative variables:

- Jobs created or supported (person-years).
- Value added to the GDP: workforce wages and salaries, income of sole proprietorships and operating surpluses of companies and businesses.
- Quebec and Canadian government tax revenues: taxes, Quebec incidental taxes (QPP, HFS, CNESST and QPIP) and federal incidental taxes (employment insurance).

Source: Institut de la statistique du Québec, RCGT Analysis

Production expenditure breakdowns per \$100 million and by location (1/2)

Production expenses per \$100M	Total	Quebec share	Foreign share	Quebec share	Foreign share
	\$	\$	\$	%	%
Total	100,000,000	76,453,008	23,546,992	76.5%	23.5%
Story rights/acquisitions	608,241	0	608,241	0%	100%
Script	5,267,148	0	5,267,148	0%	100%
Producer	3,974,500	0	3,974,500	0%	100%
Director	2,664,502	0	2,664,502	0%	100%
Stars	3,560,718	0	3,560,718	0%	100%
Actors	6,157,338	5,541,604	615,734	90%	10%
Extras	2,362,722	2,362,722	0	100%	0%
Production team	10,261,147	10,261,147	0	100%	0%
Artistic design team	3,040,130	2,888,124	152,007	95%	5%
Construction team	3,636,473	3,636,473	0	100%	0%
Set design team	2,957,964	2,810,065	147,898	95%	5%
Props team	870,019	870,019	0	100%	0%
Special effects team	655,065	655,065	0	100%	0%
Animal wrangling team	44,509	44,509	0	100%	0%
Wardrobe team	2,790,491	2,650,966	139,525	95%	5%
Makeup/hair team	1,150,584	1,093,055	57,529	95%	5%
Camera team	2,506,254	2,380,941	125,313	95%	5%
Electrical team	1,997,104	1,897,249	99,855	95%	5%
Grip team	2,975,527	2,826,750	148,776	95%	5%
Sound team	470,967	470,967	0	100%	0%
Transportation team	1,424,287	1,424,287	0	100%	0%
Benefits	774,158	774,158	0	100%	0%
Production office expenses	2,379,920	2,379,920	0	100%	0%
Studio expenses	1,796,990	1,796,990	0	100%	0%
Location office expenses	4,237,767	4,025,879	211,888	95%	5%
Operating expenses	797,242	717,517	79,724	90%	10%
Travel/living expenses	925,057	832,552	92,506	90%	10%
Transportation	4,023,574	4,023,574	0	100%	0%

Production expenditure breakdowns by \$100 million and by location (2/2)

Production expenses per \$100M	Total	Quebec share	Foreign share	Quebec share	Foreign share
Construction material	1,364,280	1,364,280	0	100%	0%
Art supplies	169,134	160,677	8,457	95%	5%
Set dressing	2,848,575	2,278,860	569,715	80%	20%
Props	462,308	277,385	184,923	60%	40%
Special effects	471,795	330,257	141,539	70%	30%
Animals	37,530	37,530	0	100%	0%
Wardrobe	1,544,048	1,544,048	0	100%	0%
Makeup/hair supplies	155,552	139,996	15,555	90%	10%
Videotape studio	0	0	0	0%	0%
Mobile video unit	0	0	0	0%	0%
Camera equipment	1,808,183	1,717,774	90,409	95%	5%
Electrical equipment	1,689,808	1,605,318	84,490	95%	5%
Grip equipment	1,424,287	1,353,073	71,214	95%	5%
Sound equipment	500,162	500,162	0	100%	0%
Second unit	964,291	964,291	0	100%	0%
Videotape stock	75,535	75,535	0	100%	0%
Production laboratory	392,696	392,696	0	100%	0%
Production laboratory	1,810,536	1,629,482	181,054	90%	10%
Équipement de montage	240,348	216,314	24,035	90%	10%
Video post production (picture)	1,416,572	283,314	1,133,258	20%	80%
Video post production (sound)	227,918	45,584	182,334	20%	80%
Post-production laboratory	223,300	44,660	178,640	20%	80%
Post-production sound	531,060	106,212	424,848	20%	80%
Music	1,727,127	0	1,727,127	0%	100%
Titles/optical effects/archives/visual effects	2,917,651	2,334,121	583,530	80%	20%
Publicity	29,942	29,942	0	100%	0%
General/miscellaneous expenses	1,373,221	1,373,221	0	100%	0%
Indirect costs	1,283,745	1,283,745	0	100%	0%
Total	100,000,000	76,453,008	23,546,992	76.5%	23.5%
	\$	\$	\$	%	%

Details of economic benefits for each \$100M of foreign production in Quebec

	Total
Direct employment (FTEs)	794 jobs
Indirect employment (FTEs)	297 jobs
Induced employment (FTEs)	292 jobs
Total # of jobs (FTEs)	1,383 jobs
Direct value added to GDP	\$44.3M
Indirect value added to GDP	\$23.4M
Induced value added to GDP	\$26.4M
Total value added to GDP	\$94.1M
Direct provincial government revenues	\$3.9M
Indirect provincial government revenues	\$1.7M
Induced provincial government revenues	\$4.5M
Quebec incidental taxes (QPP, HSF, CSST, QPIP)	\$10.8M
Total provincial government revenues	\$20.9M
Direct federal government revenues	\$2.3M
Indirect federal government revenues	\$0.9M
Induced federal government revenues	\$2.2M
Federal incidental taxes (employment insurance)	\$1.9M
Total federal government revenues	\$7.3M

Sources: Economic impact modelling using the ISQ intersectoral model, RCGT analysis

Comparison of eligible expenses for the Film and Television Production Services Tax Credit

	MONTREAL, QC	TORONTO, ON	VANCOUVER, B.C.
Provincial tax credit: base rate	20% (eligible production costs)	21.5% (eligible production costs)	28% (eligible labour costs)
Provincial tax credit: bonus (special effects and computer animation)	16% (eligible labour costs ¹)	18% (eligible labour costs ²)	16% (eligible labour costs ²)
Federal tax credit	16% (eligible labour expense)	16% (eligible labour expense)	16% (eligible labour expense)
Provincial tax credit (base rate)	Eligible expenses		
Salaries	Yes	Yes	Yes
Wages (local)	Yes	Yes	Yes
Studio rental	Yes	Yes	No
Equipment rental	Yes	Yes	No
Shooting location	Yes	Yes	No
Per diem	Yes	No	No
Social security	Yes	Yes	No
Flights	Yes	No	No
Accommodation	Yes	No	No
Meals	Yes	Yes ⁴	No
Insurance	Yes	No	No
Performance guarantee	Yes	No	No
Provincial tax credit (special effects bonus)	Eligible expenses		
Salaries	Yes	Yes	Yes
Social security	Yes	Yes	No
Non-residents	Yes	No	No
Subcontractors	Yes	No	No
Federal tax credit	Eligible expenses		
Salaries	Yes	Yes	Yes
Social security	No	No	No
Wages (local)	Yes	Yes	Yes

¹ Eligible labour costs (expanded definition) directly attributable to performing the eligible activities.

² Eligible labour costs directly attributable to performing the eligible activities.

³ Only taxable benefits paid to employees.

⁴ Only 50% of food and non-alcoholic beverage expenses are eligible.

