



## Executive Summary



*"I find it frustrating to watch so many Inuit youth identifying more with American hip hop and rap artists than they do with their own history. I also very much enjoy hip hop music, and think it's great to learn about other cultures. But Inuit youth are struggling to find their identity, and I think it's a shame that our own culture and history is not an option for them. Why? Because they get most of their creative content from the TV and the web. How much of that content is created by Inuit? Not nearly enough."*

*– Nunavut Filmmaker*

Jurisdictions with strong film and television and digital media production industries commonly build their sectors through a combination of domestic and guest production activity. This mixed production industry model best achieves both cultural and industrial goals – and correspondingly, support mechanisms in place usually reflect these two objectives. This model also builds industry capacity by providing year-round employment opportunities to production workers through two production streams. As is often the case, most of the employment growth in media industries is generated by successful technical and artistic talent launching their own small to medium production companies.

In spite of its isolation and relatively small population, Nunavut is home to a significant film and television production industry, including healthy volumes of domestic and guest production. In fact, on a per capita basis, Nunavut has approximately 10 times the domestic production spending of any other Canadian or international circumpolar jurisdiction. The territory's impressive self-generated production industry is a natural extension of Nunavut's rich artistic and story-telling heritage as well as a reflection of the significant production experience and talent in a few key companies.

Domestic production activity in Nunavut is currently supported by the Government of Nunavut (GN), primarily through the funding mechanisms administered by the Nunavut Film Development Corporation (NFDC), but also through other GN programs. This government investment has seen promising returns on this investment. In the 2008/09 production year, Nunavut-based producers received approximately \$1.1 million through GN production programs, but spent approximately \$6.7 million on production activity and capital expenditures in the territory. However, Nunavut's indigenous producers have achieved the impressive production volumes in the absence of any territorial training programs or significant production infrastructure. While Nunavut's producers provide some on-the-job training to willing Nunavummiut, this is far from a comprehensive training program necessary to develop the skilled technical and artistic talent necessary to support a competitive production industry.

Guest production in Nunavut is similarly substantial, yet tenuous. In 2008/09, producers from other jurisdictions spent approximately of \$6 million. This significant spend was put into the Nunavut community through accommodations, outfitters, travel costs, guides, vehicle rentals and other necessary expenditures. Virtually none of this money,

*“[Film and television production] is also a great tool for soft diplomacy, [such as] lessening the negative impact of the anti-sealing pressure groups.”*

*– Non-Nunavut Producer*

*“Film, television and digital media projects are extremely important to not only ensure the survival of our culture and language but also as a way of developing ourselves and our culture. Inuit culture is not static, we must continue to explore ourselves and the world around us and be able to express ourselves in any way that moves us continuously towards healthy and positive lifestyle.”*

*– Nunavut Filmmaker*

however, was spent on Nunavut film worker labour or on equipment and facilities. Again, consistent use of Nunavut film workers by guest producers is critical to ensuring a viable and strong labour force that will foster self-generating industry development.

Nunavut’s domestic and guest production activity have both varied significantly from year to year. With no incentives available to them in Nunavut, guest producers are highly susceptible to be drawn away by competing jurisdictions. Domestic production is more consistent, but local filmmakers still spend a significant amount of their budgets outside of the territory due to the lack of infrastructure.

Nunavut’s production industry has the potential to generate tens of millions in production activity in the Nunavut economy in a given year. However, adequate investment in key areas – such as skills development, promotion, infrastructure and guest production incentives – are necessary to foster a consistent level of production activity year to year, steady growth in both domestic and guest production components of the industry and increased use of skilled Nunavut film workers. Ultimately, all three conditions are necessary to create a critical mass of talent and productions which can be globally competitive and self-sustaining.

This study represents the first ever economic impact study of Nunavut’s production industry and provides the first comprehensive glimpse of the economic and social benefits of production in the territory. It also provides a framework for future studies, as well as the initial data to use as a comparison for future studies. Because the economic impact and cost-benefit analysis of this study are based on standard research practices including the use of Statistics Canada’s provincial input-output tables, the results are comparable with economic impact studies for other production industries and other sectors across Canada. Future studies that follow the same methodology would similarly provide reliable comparisons.

In 2008/09, Nunavut-based producers involved in the three major production sub-segments – independent film, television and digital media production, in-house television production and other film and video production – completed 51 projects, generating a total production spending of **\$7.7 million**. This total spend was up by 18% in 2008/09 compared to 2007/08, largely because of a \$1.3 million increase in independent production. However, the 2008/09 production spend was 24% lower than the four-year peak of \$10.1 million recorded

## Production Activity



in 2005/06 – the last year in which a Nunavut-produced feature film was filmed. Between 2005/06 and 2008/09, the total spend by Nunavut-based producers was \$39.2 million; the annual average was \$9.8 million.

More than 83%, or **\$6.7 million**, of the total production spend for Nunavut producers in 2008/09 was spent in Nunavut. This total amount included \$6.4 million in current expenditures (below) and \$249,000 in capital expenditures. Over the past four years, expenditures in Nunavut’s production industry totalled \$23.9 million; the annual average level of expenditures was \$6.0 million.

Expenditure figures (below) reveal that Nunavut’s production companies are increasingly spending a larger percentage of their total budgets within Nunavut, including a greater proportion on Nunavut labour. Nunavut expenditures as a percentage of total production were 64% in 2005/06 and 57% in 2006/07; in 2007/08 and 2008/09, the percentage shares were 81% and 83%, respectively.

Nunavut labour expenditures, on the other hand remained at approximately 50% of Nunavut expenditures between 2005/06 and 2008/09.

**Figure 1: Total In-territory Expenditures (\$ 000 unless otherwise specified)**

	2005/06	2006/07	2007/08	2008/09	Four-year total	Average
Production spending	10,052	8,514	6,566	7,716	39,242	9,811
Nunavut current expenditures	6,454	4,845	5,324	6,406	23,029	5,757
Percentage share	64%	57%	81%	83%	59%	59%
Nunavut production labour expenditures	3,518	2,388	2,435	2,792	11,133	2,783
Percentage share of spend	35%	28%	37%	36%	28%	28%
Percentage share of expenditures	55%	49%	46%	44%	48%	48%

Guest production activity adds significantly to the overall production spend in Nunavut. However, in the absence of a permit system in Nunavut, there is no organized tracking of non-Nunavut, Canadian and foreign location shooting, let alone accounting of their local hiring and spending practices. High-level estimates attained through consultation with producers and outfitters place guest production expenditures in 2008/08 at approximately \$6.3 million. Over the four-year period, guest-production expenditures in the territory totalled \$18.1 million, an averaged \$4.5 million per annum.

## Economic Impact

The economic impact of the production industry is best measured through total contribution to GDP and employment in the territory. Economic impact measures also account for spin-off impact, or the amount of money earned through production activity that is re-spent in the Nunavut economy. In all three areas, the production industry has had a significant economic impact in Nunavut over the past four years.

Overall, production activity in Nunavut generated total annualized GDP of \$9.8 million in the Nunavut economy between 2005/06 and 2008/09. This total GDP included \$4.7 million in direct GDP and \$5.1 million in spin-off GDP. Production activity in Nunavut supported the creation of a total of 169 full-time equivalent jobs (FTEs) on an annualized basis; this total included 86 direct FTEs and 83 spin-off FTEs. The figure below breaks down the complete economic impact of Nunavut's production sector.

Figure 2: Total Economic Impact

	Direct economic impact	Spin-off economic impact**	Total economic impact
<b>GDP (\$ 000s)</b>			
Wages and supplementary labour income	3,679	3,523	7,202
Other GDP components	1,019	1,553	2,572
<b>Total GDP</b>	<b>4,698</b>	<b>5,076</b>	<b>9,774</b>
<b>Employment</b>			
Average FTE cost (\$)	42,701	42,701	42,701
Total FTEs*	86	83	169
Educational services	0%	80%	0%
Health care and social services (i.e., community support)	0%	0%	0%
Accommodation and food services	3%	0%	0%
Other services	20%	0%	0%
Operating, office, cafeteria and laboratory supplies	2%	0%	0%
Travel, entertainment, advertising and promotion	3%	0%	0%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

## Socio-economic and Cultural Impacts

In addition to their obvious economic benefit, production industries are recognized and supported for their ability to further social and cultural goals. The cultural and social value of Nunavut's production industry is no exception. In fact, cultural preservation imperatives are magnified in Nunavut. Nunavummiut have their own distinct culture and language. However, these are increasingly threatened by content from the United States, as well as that from the rest of Canada.

*“[A production industry] is necessary for the preservation of the Inuit knowledge of a traditional way of life.”*

*– Nunavut Filmmaker*

*“I think it’s very telling that the Embrace Life Council, a suicide prevention group, has chosen digital media training as their core strategy to engage and support youth. They can communicate their emotions and discuss important issues with the rest of society. Digital media training is not only a strong economy that creates jobs, it’s a powerful tool for Inuit to make positive social change and retain our language and culture.”*

*– Nunavut Filmmaker*

The socio-economic benefits of a strong production industry are also very important in Nunavut. Nunavut’s relatively small population and isolated geographic location contribute to other negative social issues, including high rates of school drop out, unemployment, family violence, social assistance and suicide. The GN takes a broad view of economic development by “identifying issues related to the land, people and communities, in addition to more common economic concerns.”<sup>1</sup> Further, the government identifies the cultural and economic diversification contribution of the arts sector to Nunavut.

As such, production industry benefits such as cultural preservation, language retention, youth engagement and the representation of Inuit culture to the rest of Canada and the world are key priorities. As the production sector grows, there is a need to ensure employment opportunities to all sectors of the population, including those located in the less populous regions. And because cultural preservation, language retention and youth engagement issues face more external threats, the benefits provided by increased Nunavut production become that much more significant.

While it is difficult to directly quantify the cultural and socio-economic benefits of a production industry, film and television production and exhibition have a long track record of positive cultural and social impact. This is more and more being recognized in Nunavut. Nunavut-made film and television productions represent one of the best means to retain the Inuktitut language and culture with youth, and Nunavut-raised filmmakers are best situated to share Nunavut stories with the rest of Canada and the world. Film and television production provides a viable and culturally-fulfilling career opportunity to Nunavut youth. And more importantly, digital video and multimedia production is being employed by groups such as the Embrace Life Council and the National Inuit Youth Council as a vehicle to increase community capacity to promote mental health.

Overall, more than 90% of Nunavut production industry stakeholders believe the following were important or very important benefits created by the territory’s production industry:

- Films and TV programs shape the way Nunavummiut see the world;
- Films and TV programs shape the way the world sees Nunavut;



- Industry is a great employer;
- Industry contributes to the local economy and generates spin-off effects for other businesses;
- Industry can engage youth and is a leading career choice among young people;
- Industry improves the image of Nunavut in Canada and Internationally;
- Industry increases Nunavut participation in the local community; and
- Industry contributes to language retention.

## Competitive Analysis

In the 2008/08 production year, Nunavut was generally on par with or leading all other Canadian circumpolar jurisdictions in terms of production activity. On a per capita basis, the territory's production spending easily eclipses that of any Canadian or international circumpolar jurisdiction. However, Nunavut trails competing jurisdictions in key enablers of success – namely training, infrastructure, promotion and support activity – and these are prerequisites for the next stage in development, particularly for its foreign location services industry.

Nunavut's competitive position in these key industry areas should not be viewed entirely as a negative trait. Rather, Nunavut's domestic producers should be commended for their ability to establish such a substantial industry without many of the capacity building advantages found in other regions. Also, knowing that it already compares favourably with other jurisdictions in terms of production activity, Nunavut's production industry should view the services and support mechanisms provided in those regions as clear steps in a strategy to develop Nunavut into the circumpolar film centre of excellence.

Yukon, Newfoundland and Labrador, Iceland and Alaska are all substantial production centres in their own right. The promotional and training activities, infrastructure and support mechanisms in each of these jurisdictions can be instructive for Nunavut. For example, Yukon, Newfoundland and Labrador and Iceland each host at least two annual film festivals (Iceland hosts three), which serve to draw attention to their production sector and their domestic producers. Each of these jurisdictions additionally is home to at least one college level multimedia program and multiple media or production associations.

*"When we do Inuktitut production we bring back the language and culture we learn how tools were made through props and all types of clothes through costumes, make up, sets and others, when we are in productions."*

*– Nunavut Filmmaker*

*"[The production industry] provides ability for youth to work with world class international professionals."*

*– Outfitter*

*"It is chicken and egg, without a growing industry no one will invest in production/post-production facilities/equipment and without the facilities most post production work will go south."*

*– Non-Nunavut Filmmaker*

In terms of infrastructure, Yukon, Newfoundland and Labrador, and Iceland are all home to for-rent high-definition (HD) post-production facilities, of which Nunavut currently has none. Film and recording studios are also more prevalent in these regions, with Newfoundland and Labrador being home to a 21,000 ft<sup>2</sup> sound stage.

Other circumpolar jurisdictions also provide broad suites of funding mechanisms. While the GN funds the production industry through the NFDC and other cultural departments, this funding does not target guest producers and includes no non-capped funding mechanisms. Yukon, Alaska and Iceland all make funding available to non-resident production companies through tax credits of production rebates. Alaska, particularly, is aggressively pursuing guest productions by offering a transferable tax credit incentive that ranges from 30% to 44% on qualified expenditures. Newfoundland and Labrador, on the other hand, provides a 25% labour tax credit that is capped at \$3 million per project, but is not subject to an overall cap and therefore evolves to match the potential regional production activity.

Clearly, industry growth mechanisms are not restricted to funding incentives alone. As other circumpolar jurisdictions show, training, promotion and infrastructure development also play major roles in developing a sustaining production industry.

## Current Industry Capacity



The current capacity of Nunavut's production industry can be measured in terms of infrastructure and film workers. In terms of the latter, Nunavut production stakeholders identify the territory as being home to good quality, adaptable workers. But as with infrastructure, they believe the overall capacity is not sufficient to support significant industry growth going forward.

While there is generally an overall lack of production infrastructure in Nunavut, one of the most persistent needs is post-production facilities. In the 2008/09 production year, Nunavut's domestic producers spent 27% of their budgets outside of the territory, largely on post production activities. That equates to more than \$2 million that was directed into another region's economy instead of Nunavut's.

There are already current plans underway to address some of Nunavut's capacity issues. The Inuit Broadcasting Corporation (IBC) is planning to build an 8,000 ft<sup>2</sup> Nunavut Media Arts Centre in Iqaluit, replete with post production facilities and

studio capacity. Such a facility would greatly change the face of Nunavut’s production industry by providing in-territory editing and post-production equipment for Nunavut resident and guest producers. Additional capacity building activities related to infrastructure and film workers undertaken by the NFDC and GN would only further ensure continued industry growth.

## Strategic Options



Nunavut’s current production industry is largely driven by the desire of Nunavut’s producers to tell Nunavut stories and the choice of guest producers to film in Nunavut largely for the relative appeal of its geography and myriad filming locations. However, these existing drivers are by themselves, insufficient to ensure future growth of production in Nunavut. The majority of Nunavut production stakeholders believe the territory lacks the appropriate infrastructure to support significant growth. This infrastructure includes crews, talent, funding, facilities and equipment. Guest production is also unlikely to grow significantly without added infrastructure and support, particularly as guest producers are enticed by support mechanisms offered by competing jurisdictions, such as non-capped funding mechanisms like tax credits and production rebates.

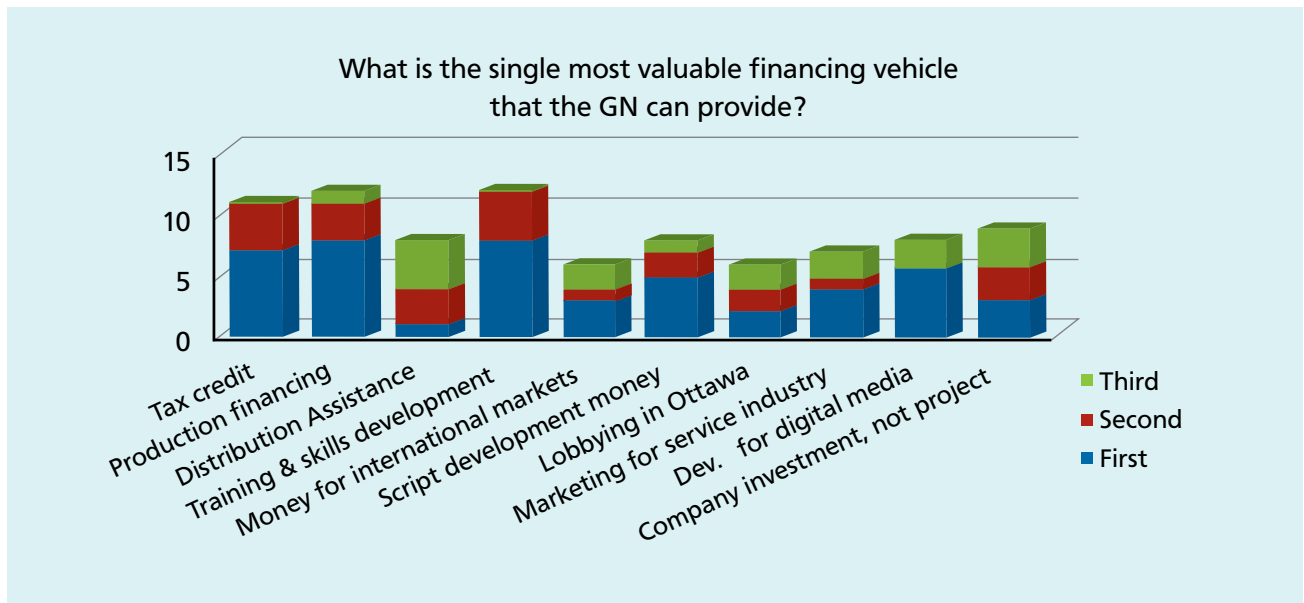
Strategic actions undertaken by the NFDC and GN should be geared to address the growth barriers faced by Nunavut producers. As the figure below clearly illustrates (based on 11 responses), production financing is widely considered to be the greatest growth barrier, followed by developing a business model that support growth and business skills.

Figure 3: Assessment of Growth Obstacles



However, when asked to identify the most valuable financing vehicles the GN could provide, Nunavut production industry stakeholders' focus is not strictly on production financing (Figure 4). Indeed, as many stakeholders identified 'training and skills development' funding (see the blue portions of the columns below) as did 'production funding.' Similarly, a large percentage of stakeholders also identified 'tax credit,'<sup>3</sup> 'development funding for digital media' and 'script development' as being most valuable.

Figure 4: Evaluation of Potential Financing Vehicles<sup>4</sup>



The above industry feedback, the analysis of Nunavut's current production activity, and an examination of the current policy and incentive framework were considered greatly in formulating a range of options for Nunavut and the NFDC to pursue. The support mechanisms and capacity building activities of competing jurisdictions were also very instructive in determining best competitive practices.



Going forward, Nunavut should consider the following strategic options to enhance the growth and development of both its indigenous and guest production sectors:

- Clarify the vision for Nunavut's film industry;
- Revise film funding programs to enable the development of a mixed guest-Nunavut production industry model;
- Explore the implementation of non-capped funding mechanisms;



- Assist in the development of infrastructure;
- Conduct a skill audit;
- Construct a skills development strategy;
- Develop a coherent development strategy with other territorial and federal government departments and agencies such as CLEY, Education, INAC and Tourism;
- Develop and maintain an industry tracking framework;
- Develop and maintain a social impacts/benefits tracking framework;
- Implement a 'Film Permit' registration system;
- Provide core funding to offset the costs of a film, television and digital media industry association such as Ajjit; and
- Explore expanding NFDC to become a film and music commission.

Through its own self-generated growth and existing support mechanisms, Nunavut's production industry is generally on par with or ahead of all other northern Canadian jurisdictions. Also, when viewed on a per capita basis, Nunavut already lines up favourably with many other international circumpolar jurisdictions. Therefore, Nunavut is well positioned to become a circumpolar film centre of excellence if the appropriate steps are taken.

## Sources



<sup>1</sup> Source: *2008 Nunavut Economic Outlook: Our Future to Choose*.

<sup>2</sup> Quotes offered throughout this report are from the confidential survey of Nunavut production industry stakeholders, and therefore the identities of the individuals being quoted remain confidential.

<sup>3</sup> Because of varying tax structures, some circumpolar jurisdictions don't use a traditional tax credit. For instance, Alaska offers producers a transferable tax credit, whereby producers won't owe taxes to the state, but they are to sell their incentives to another company that does, such as in oil, mining, or fisheries.

<sup>4</sup> 15 responses. The blue portion of the columns indicate the number of respondents indicating that financing vehicle as being 'most valuable', the red and green portions indicate number of respondents indicating that financing vehicle as being second or third most valuable, respectively.