



## **Executive Summary**

Entertainment One (eOne) is pleased to share its priorities and recommendations for the 2017 federal budget of the Government of Canada.

eOne is the global entertainment leader in independent content ownership and distribution for film, television and music headquartered right here in Canada. We know that the cultural industries are a vital component of Canada's economy.

The key recommendation to the Standing Committee on Finance is to ensure government policy promotes export of Canadian cultural products by supporting independent Canadian production and distribution companies.

## **About Entertainment One**

With offices in Toronto, Vancouver and Montreal we are Canada's largest independent studio and leading producer and exporter of English- and French-language film, television and music content. Currently, within Canada eOne employs over 950 full time employees. Globally we have delivered 500 hours of television programming and distributed over 200 theatrical releases this past year.

eOne tells Canada's story every day. Seen, heard and experienced in every part of the country, eOne tells Canada's story at home and abroad, in every platform available to consumers. At eOne we believe there is more of Canada's story to share with the world.

## **The industry**

Statistics Canada cites film, television and video production in Canada to result in an operating revenue of approximately \$3.5 billion in 2011.<sup>1</sup> In Ontario alone film and television production contributes \$1.3 billion to the provincial economy in 2014 and results in almost 28,000 full-time direct and indirect jobs.<sup>2</sup> There are additional ancillary economic benefits in the value chain including in construction and renovation industries through the amount of soundstage space constructed, and as well through tourism spurred by film and television productions.<sup>3</sup>

The strength of the industry is augmented by government support from all levels of government, whether it be municipal accommodations for filming on sites, provincial tax credits for productions, or federal legislation that ensures sustained Canadian content on television, in films, and on the airwaves.

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<sup>1</sup> <http://www.statcan.gc.ca/tables-tableaux/sum-som/l01/cst01/arts75a-eng.htm>

<sup>2</sup> <http://www.actratoronto.com/advocacy/industry-facts/>

<sup>3</sup> <http://www.nordicity.com/media/2013724dgfjbufnd.pdf>



One overlooked area of the value chain is in the distribution space. It is important that the revenues of assets created by Canadians are brought back to Canada and reinvested in the system. The film and television sector plays an important role not only economically but culturally; as such, it's crucial that support mechanisms and regulations are sustained, to allow the industry to continue to grow and maximize its contribution to Canada's overall economic growth.

### **Overview of challenges**

A strong Canadian industry is required to ensure Canadian stories are seen and heard for many years to come, and that a strong Canadian content ecosystem flourishes from creative origination to deficit financing and, ultimately, to worldwide exploitation.

As more foreign players continue to work within our borders, eOne believes it is more important than ever to institute ways for Canadian sales companies to remain healthy and continue to play a vital role in our industry as exporters of Canadian cultural products.

### **Rationale**

The core recommendation proposed is to offer an incentive to Canadian producers to secure Canadian distributors. Government policy that supports Canadian distribution companies is necessary for the Canadian television industry to continue in its growth and be competitive in a crowded international marketplace:

- Control in a production is largely dictated by the financing;
- Therefore, Canadian risk capital equates to a greater level of Canadian control;
- From a long-term value chain point of view, distribution rights are more valuable than copyright;
- Thus, in this time of change where audiences are moving on masse to digital platforms to view content on their own terms, it is more important than ever for the Canadian production and distribution ecosystem to be symbiotic and supported;
- The value chain of a production can only be fully realized through exploitation i.e. distribution/international sales;
- We firmly believe that the value of content created in Canada should stay in the hands of Canadian companies to reinvest in the ecosystem.

### **Proposal**

The core of this proposal is focused on building a mutually-beneficial relationship between the production and distribution sectors to optimally serve the industry overall on a long-term basis.

The following is our multi-step approach:

- The policy mandating producers to offer the international distribution rights to a Canadian distribution company first be reinstated in the CMF guidelines for drama productions only, with immediate effect. The Canadian distributor will agree to provide



a written offer within 15 business days of receiving a producer's creative and financial project package for their evaluation.

- The Contribution Agreement under Canadian Heritage be changed for the following scenario to be implemented in order to encourage innovation and add creative flexibility to the 10/10 scale model: CMF-qualifying productions receive two "points" for securing a Canadian distribution company to sell international rights. In exchange, the Canadian distributor will commit and cover a certain level of the budget.

### **Conclusion**

Entertainment One looks forward to the Government of Canada's support and implementation of the recommendations outlined in this pre-budget submission. We would welcome the opportunity to participate in any consultations or opportunities to move these issues forward and ensure the continued strength of the industry and of Canadian content.