

CAFDE

Canadian Association of Film
Distributors & Exporters



ACDEF

Association canadienne des distributeurs
et exportateurs de films

Canadian Association of Film Distributors & Exporters Pre-Budget 2018 Submission





Executive Summary

The Canadian Association of Film Distributors and Exporters (CAFDE) would like to thank the Standing Committee on Finance for the opportunity to participate in the Pre-Budget consultations in advance of the 2018 Budget.

As Canadian cultural industries continue to adapt and innovate in the new digital era, the federal cultural policy toolkit requires strong and modernized policies that support key industry actors and contributors to the cultural ecosystem. Currently, Canada does not have a functional film distribution policy framework. Foreign feature film distributors not only threaten the Canadian film industry, but drain funds and funding from the cultural ecosystem. This results in a decrease to Canadian competitiveness in feature film on the global stage. In order to grow the future of Canadian feature film, the Canadian cultural ecosystem requires the strengthening of policy today that protects an entire industry and allows Canadian film distributors share Canadian stories through feature film.

Canadian Association of Film Distributors and Exporters (CAFDE)

CAFDE serves to represent the Canadian film distribution industry and its members on matters of national interest. Current membership includes CropGlass, d Films, Elevation Pictures, Entertainment One/Les Films Séville, Kinosmith, Métropole Films, Mongrel Media, Pacific Northwest Pictures, Search Engine Films and LaRue Entertainment.

CAFDE members provide Canadians with the majority of the domestically produced filmed entertainment. CAFDE's activities include government consultation, outreach and engagement with an aim to bring attention to the current erosion of the film distribution policy in Canada and the cultural, social, and economic repercussions of this reality. Our association represents a variety of business from small independent film distributors to large global media organizations. All of our membership is supportive of the policy proposal included within this submission.

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Film Distribution in Canada

Film distribution is a crucial part of the Canadian cultural ecosystem and significantly contributes economically, culturally, and socially throughout the life cycle of a film. Film distribution is the conduit through which consumers access feature film. The cultural policies that impact the film distribution sector in turn impact the creation, accessibility, consumption, and growth of Canadian feature film. The participation of Canadian distributors begins at the very conception of cultural content by often providing financing for Canadian feature film production. The financing provided by film distributors in the pre-production phase further triggers eligibility for investment from Canadian cultural funds, allowing for the production of quality Canadian films. Distributors then use their experience and expertise to increase exposure and drive Canadian box office returns. The effect is a cycle of engagement and reinvestment in the Canadian cultural ecosystem and the creation and growth of key cultural industry hubs in Canada.

An addition, a critical role played by film distributors is their ability to assess the marketplace for Canadian feature films and develop release strategies across a range of platforms, from theatre screens to television sets to mobile phones. Film distributors first provide an opportunity for a theatrical window for Canadian feature films to build broader audiences and create awareness for a film. By supporting the most visible window - the theatrical window - and providing important promotional opportunities for a feature film, film distributors' activities directly increase awareness surrounding the film with audiences both locally and internationally. Film distributors' experience and insights help the film resonate with audiences, and maximize its visibility and consumption on other platforms, such as iTunes, television and Netflix, which in turn increases the life cycle of Canadian cultural content.

From a policy perspective, distributors are one of the key driving forces in the financing and marketing of Canadian films. From 1995 to 2015, CAFDE members have invested approximately \$400 million in Canadian productions. Distributors are also the primary force behind the export of Canadian films by ensuring a strong Canadian presence in the global cinematic market. Distributors' experience and expertise in exporting Canadian feature film has increased both their economic and cultural value, which further contributes to the long-term financial and creative health of the industry and the Canadian culture and economy in general.



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Currently, the economic contribution of the Canadian film distribution industry resulted in revenue of \$1.85 billion in 2017 with an annual growth -1.1% from 2012 to 2017, but with a projected annual growth of 0.3% over the next five years. The 464 Canadian companies involved in Canadian film distribution have profits of \$330.2 million for 2017 with \$162.7 million going to the wages of 1,305 Canadian employees.

As noted above, industry revenue is projected to increase at an annualized rate of 0.3% as the digital transition continues to mature. However, the share of projected industry growth represented by Canadian distributors will decrease significantly if foreign distributors continue to encroach on the Canadian market.

According to CANSIM, total distribution revenue of non-Canadian production is more than five times greater than total distribution of Canadian production. This is partly due to Canadian consumers' tastes, but also has been heavily impacted by the increasing encroachment of foreign film distributors into the Canadian marketplace. Foreign encroachment has the effect of decreasing the volume and accessibility of Canadian productions, limiting Canadian consumer choice and resulting in fewer true theatrical windows for Canadian productions and erecting barriers for young Canadians to participate in the industry.

Currently, there is no enforceable policy to prohibit the activities of foreign film distributors in Canada –who neither contribute economically through jobs and/or funding, nor do they contribute culturally to the world of Canadian film.

Film Distribution Policy

For decades, the policy framework which protects the 15% of the Canadian theatrical marketplace not controlled by Hollywood was respected by foreign companies. The current strength of Canadian feature film distribution is a direct result of a policy introduced by the Honourable Flora McDonald in 1988 that – with the exception of the six major Hollywood studios, which were grandfathered – required the distribution of feature film in Canada be conducted by Canadian-owned companies. This policy was not brought into law due to a change in government; however, it has nonetheless served as the backbone on which the Canadian film distribution sector is based and, as such, has created vibrant distribution companies well-positioned to invest in and support Canadian feature film. Yet without the policy having the force of law, foreign distributors (excluding those American distributors grandfathered by the policy with offices and employees in Canada) have taken note of the

CROPGLASS

d
films

KINOSMITH
WWW.KINOSMITH.COM

métropole
Films Distribution

La Rue

Les Films Séville
Une filiale de entertainment One

entertainmentOne

mongrel

PNP
PACIFIC NORTHWEST PICTURES

ELEVATION
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SEARCH
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legal vacuum and have begun to disrupt the practice of film distribution in Canada to test the policy's limits, while eroding its reach and setting a new and damaging precedent. Provincial governments can take action by rescinding the licenses of these foreign companies, but require confirmation from the Federal government that the policy is very much in effect.

Recommendation

CAFDE is participating in the Pre-Budget 2018 consultation to request that a formal policy framework be adopted by the Canadian Government with the requirement that film distribution in Canada be conducted by Canadian-owned companies. CAFDE is also requesting that the government fast-track legislation to fill the current legislative vacuum. CAFDE's recommendation will secure an important existing but threatened Canadian distribution policy that nurtures independent Canadian companies and strengthens reinvestment in our economy.

CAFDE proposes that the Canadian Government introduces a policy which would resemble, in many ways, the 1988 Distribution Policy, but is modernized to take into account the changing circumstances in a new digital era. Enshrining the 1988 Policy as legislation will help to foster the growth of a healthy Canadian film ecosystem supportive of Canadian artists, producers, distributors and audiences, and will rectify the current erosion taking place to the Canadian distribution landscape.

In order to preserve the viability of our existing domestic film distribution sector, it's crucial that we prioritize Canadian-owned companies that contribute expertise, effort, investment and taxes in Canada and who will continue to reinvest in Canadian production and ensure marketplace access to Canadian films. By creating a policy today that will protect film distribution in Canada, the cultural creators of tomorrow will have a healthy and strong cultural ecosystem to create, share, and preserve Canadian culture.

Conclusion

The members of CAFDE would like to thank the Standing Committee on Finance for its considerations for a Canadian film distribution policy during the Pre-Budget 2018 consultations.

