



BACK TO LIGHTS, CAMERA, ACTION IN A COMMUNITY NEAR YOU:

The Impact of COVID-19 on Canada's Screen Industry

Submitted by the Canada Media Fund to the Standing Committee on
Industry, Science and Technology

Study: Canada's Response to the COVID-19 Pandemic

Screen Industry Overview

Canada's screen industries - film and television production, and interactive digital media such as video games, virtual and augmented reality - are important drivers of the Canadian economy. They were steadily growing and employing an increasing number of Canadians each year. Then COVID-19 hit.

In 2018-2019, film and tv production in Canada provided 180,900 full-time equivalent jobs and contributed \$12.8 billion to Canada's GDP, an increase of 5.2% from the previous year.¹

2018-2019 was the industry peak for film and television, with production volume at an all-time high of \$9.3 billion.²

Content created through film and television production feeds the Canadian broadcasting industry and reaches audiences from coast to coast to coast. In 2018, broadcasting services generated total revenues of \$17.1 billion, \$6.9 billion in television.³

The entire screen sector value chain, including film and television production, distribution, exhibition, television broadcasting and broadcasting distribution, generates an estimated 270,900 FTEs of employment, \$16.16 billion in salary and wages, and \$23.66 billion in GDP, including direct and spin-off impacts.⁴

Canadian film, television and interactive digital media experiences are exported around the world. Productions funded by the CMF between 2012-13 and 2017-18 generated \$601M in export revenues. Those revenues have increased significantly over time, illustrating that demand for Canadian content is growing and that CMF-funded independent production companies are taking advantage of global opportunities.⁵

¹ Canadian Media Producers' Association (CMPA), Department of Canadian Heritage, Association québécoise de la production médiatique (AQPM), Telefilm Canada, and Nordicity. Profile 2019: Economic Report on the Screen-Based Media Production Industry in Canada, 4-5. <https://cmpa.ca/profile/>

² Ibid, 5.

³ CRTC, Communications Monitoring Report 2019. <https://crtc.gc.ca/eng/publications/reports/policymonitoring/2019/cmr6.htm>

⁴ CMPA et al, 5.

⁵ Canada Media Fund Data: analysis of funded projects.



In 2019, Canada's video games industry, the largest segment of the interactive digital media sector, generated an estimated \$2.6 billion in GDP, up 26% from 2017, and employed more than 28,000 Canadians.⁶

Companies working in Canada's screen industries rely heavily on freelance and contract work. Their cycles of production vary year to year, as do their revenue cycles, which are dependent on the completion and sales of projects.

Canadians are storytellers. Our companies, large and small, and in all regions of the country, create programming in English, French, Indigenous and other languages that reaches global audiences. Indigenous filmmakers and producers are sought-after in international festivals around the world. Canadian stories showcase the country, and its regional and cultural diversity. *Heartland*; *District 31*; *Un gars, une fille*; *Cardinal*; *Fugueuse*; *Transplant*; *Mohawk Girls*; *C'est Comme ça que je t'aime*; *Kim's Convenience*; *Diggstown*; *Frontier*; *Letterkenny*; *Infoman*; *Alias Grace*; *Schitt's Creek*; and the list goes on. These shows are all different, and are all, at the same time, distinctly Canadian.

Canadian kids' shows like the Emmy award-winning *Dino Dana*; *Dounia*; *Justin rêve*; and *The Bravest Knight*; and children's and youth content is a frequent export to the US and other markets. Documentaries such as *Anthropocene: The Human Epoch*; *Angry Inuk*; and *Sharkwater* showcase the talent and skill that our industry brings to telling important stories to the world.

Similarly, Canadians stand out in creating digital experiences in games, virtual and augmented reality, and other digital platforms. Games like Dark Slope's *The Messenger*; Secret Location's *Blasters of the Universe*; interactive media projects like Félix and Paul's *Storyteller – The Seven Ravens*; and augmented reality playground app by Vancouver-based Biba show the depth of Canadian companies working in the industry.

The screen industry workforce – producers, writers, directors, showrunners, hair and makeup professionals, animators, cast, crew, editors, post-production staff, screen composers, special effects experts, and more – is diverse, well-educated, and entrepreneurial.

COVID-19 will fundamentally change the screen industry in Canada. Production has stopped, thousands of people who work in front of and behind the camera have lost their jobs and freelance income, and some companies are likely to shrink, reduce activities, amalgamate or fold. Broadcasters could be challenged to maintain their content spend this year and next, potentially resulting in job losses and less access for Canadians to Canadian content on screens large and small.

⁶ Nodicity, *The Digital Media Universe in Canada: Measuring the Revenues, the Audiences, the Future Prospects*. January 2020.
https://www.nodicity.com/de/cache/work/140/Nodicity%20Presentation%20on%20the%20Digital%20Media%20Universe%20Feb.%207%20at%20the%20DM_X%20Conference.pdf



Impact of COVID-19: Film and TV Production – March to May 2020

The majority of the film and television production industry relies on physical production on-set or on-location. Across Canada, and in many countries, film and tv production has been stopped since mid-March 2020 because of COVID-19.

Projections by the Canadian Media Producers Association and Nordicity estimate a loss in production of up to \$2.5 billion by the end of June 2020, with up to 172,000 jobs affected.⁷

In addition:

- Up to 67% of workers in Canadian film and television production companies face employment risk if the shutdown lasts beyond June.⁸
- On average, companies have about three to four months worth of resources to maintain operations through a shutdown. 30% of companies report no resources for continuing operations at all.⁹
- 622 production companies surveyed in early April 2020 reported unrecoverable costs of \$201 million, or an average of \$427,000 per company, relating to production shut-down, carrying and restart.¹⁰

Impact of COVID-19: Interactive Digital Media (IDM) – March to May 2020

Key findings of a survey of IDM companies conducted in April 2020 show:

- 21% of the contracted IDM workforce is projected to be laid-off if social distancing lasts through May, and 32% if it lasts past June.¹¹
- On average, companies will run out of cash and face bankruptcy within 4 months; i.e. by the end of July 2020. Smaller companies of less than five employees will run out more quickly, in as little as 2.5 months from the start of the crisis, by the end of May 2020.¹²
- While many companies are stable for the short-term, 40% said that the impact of the pandemic will be felt after three months (from early April). These findings suggest that many companies have sufficient work for the moment but may face business development challenges beyond June. These include loss of opportunities due to stakeholders being affected, and loss of opportunities due to markets being stalled.¹³

⁷ Nordicity, COVID-19 Impact Analysis: Employment at Risk due to Shutdowns in the Screen-based Media Production Sector, April 8, 2020. <https://cmpa.ca/wp-content/uploads/2020/04/Nordicity-COVID-19-Impact-Analysis.pdf>

⁸ Nordicity, Canadian Film and Television COVID-19 Impact Survey Data Report, April 23, 2020, pg 9.

⁹ Ibid, pg 13.

¹⁰ Ibid, pg 9.

¹¹ Ibid, pg 8.

¹² Nordicity and Canada Media Fund, Measuring the Impact of COVID-19 on the IDM Industry in Canada, April 30, 2020, pg 18-19.

¹³ Nordicity, Measuring the impact. Recovering strong. Brief to Canada Media Fund.



IDM micro-companies of 5 people or less have been hardest hit, with losses and a short runway until they will no longer be able to operate. For many, the full impact has not yet been felt because they have enough work to continue in the short term. However, they will struggle in the coming months without the business development opportunities they rely on to make new deals and sell their products to international markets, which have been cancelled or converted into virtual markets.

CMF Emergency Response

The CMF is responding to the COVID-19 crisis in four ways:

1. **Industry-wide coordination:** The CMF is participating in a COVID-19 Industry Taskforce assembled to assess the impact of the pandemic on the screen industry across the country. The focus has been to collect data on the impact of COVID-19 on the industry, including both the film/tv production and interactive digital media industries. The taskforce has also facilitated communication among stakeholders, and between stakeholders and the federal government, including with Minister Guilbeault and senior officials from Canadian Heritage.
2. **Program and policy flexibility:** The CMF is putting in place [flexibility measures](#) within its existing programs to give eligible applicants and broadcasters additional latitude during the exceptional circumstances caused by the pandemic. These changes will be in place for the 2020-21 year, until March 31, 2021, recognizing that for many in the industry the recovery will take many months. Work continues with the Government of Canada on additional measures that require a change to the contribution agreement between the CMF and Government.
3. **Industry information resource:** The CMF has put in place a dedicated online information hub to help workers and companies in Canada's screen-based industries navigate the programs and resources available to those affected, and to understand the impact and response of the industry to the pandemic. Information on financial and other support offered through more than 165 programs, as well as other essential resources, can be found at covid.cmf-fmc.ca.
4. **CMF COVID-19 Emergency Relief Fund:** The Government of Canada has provided CMF with \$88.8 million under the COVID-19 Emergency Fund for Culture, Heritage and Sport. These funds will help ensure business continuity for companies that have been recently supported by the CMF and which are largely excluded from other government assistance programs due to the cyclical nature of their revenues, or their contract workforce. The aim is to protect jobs and help the infrastructure that the industry depends on – the companies across the country, many of which are SMEs - survive the pandemic. The majority of the funding will go to production and IDM companies that access support through the CMF's largest programs to make content. A portion will go to support at-risk and under-represented groups within the industry, such as BIPOC (Black, Indigenous and People of Colour), official language minority, gender, or under-served regions in recognition that they will be disproportionately affected by the crisis and require targeted approaches to recover.



Getting Back to Work: Recovery and Beyond

The Government and CMF's emergency response will help companies stay afloat for a short time. However, the impact of COVID-19 will continue to be felt as the industry returns to work, and for a long time to come. Maintaining the health of the industry through the crisis and recovery will help ensure Canada's continued global competitiveness as a producer of great content, a production partner, and a production location, for the next decade and beyond.

Production has been green-lit to restart in some parts of the country as of the date of writing. The restart will bring with it new practices, health and safety protocols, and increased costs. While many of these will not be unique to the screen industries, the costs will be significant for many companies that lack the margins to absorb them.

Companies face two immediate hurdles in parts of the country that have begun to restart their economies and resume production:

1. **Insurance:** Insurance companies that service the film and television industry are excluding from new production policies coverage for COVID-19 and other communicable diseases. Without policies in place, the risk of an outbreak is transferred to the production company, which is unable to assume or finance it. Many productions that could return to set – for example, Season 14 of *Heartland*, shot in Calgary and High River, Alberta - are on hold until this issue is solved. The Canadian Media Producers' Association has developed a proposal to government for a "market-based solution" to the problem asking the federal government to serve as a backstop.¹⁴ In its proposal, government would only cover claims in the event that the amount claimed exceeded the premiums paid to insurers by the industry.
2. **Health and safety costs:** Health and safety protocols, which are necessary and under development through industry-wide collaborations, will bring new costs that will be more than many companies can afford. These may include COVID-19 testing on set, PPE for cast and crews, frequent disinfection of equipment, and different parts of the crew working on set at different times – for example, set dressing and lighting – requiring longer periods of time for a shoot. Estimates of the cost of these new measures vary from 10% to 25% of a production's budget depending on its genre (e.g. drama, comedy, kids) and size. Few companies have the margins to absorb these costs and will need additional financing for productions already planned or in process when the shutdown began. New projects will need additional funds to cover them.

Beyond the immediate challenge of returning to work, there will be other issues that persist and must be part of a recovery strategy for the industry.

While some companies in the industry have been able to continue to work – for example, post-production and animation - the production stoppage means that there will likely be a gap in post-production work in the late summer or fall. This second wave of COVID-19 impact could be devastating to those who work in special effects and animation, the majority of whom are freelance workers. Because this gap will take place after the main timeframe of the COVID-19 crisis, these jobs may not qualify for other government support programs contained in Canada's COVID-19 Economic Response Plan.

¹⁴ <https://www.cp24.com/entertainment-news/many-canadian-film-and-tv-productions-held-up-by-lack-of-covid-19-insurance-1.4980166>



Interactive digital media companies in particular face gaps in business development due to cancellation or postponement of international festivals, markets and other B2B opportunities. Virtual solutions are possible and can meet some needs, but targeted export or business development support may be required to ensure their business continuity and ability to pay salaries and employ freelancers.

Marginalized and under-represented communities are often disproportionately affected by crisis, and this is true of the COVID-19 pandemic. Beyond the scope of the current CMF Emergency Relief Fund, targeted initiatives will be required for BIPOC (Black, Indigenous and People of Colour) communities, official language minority communities, and to continue work towards gender balance. Youth and the next generation of content creators will experience additional barriers to entering the industry at this time of crisis and recovery.

Conclusion

COVID-19 has exposed and exacerbated the fragility of the model that Canada has in place to support the screen industry. As we consider further crisis response and recovery measures, it is an extremely important time to shape the future.

It is the right time for Canada to renew its approach to supporting its screen industries. A renewed approach would include:

- An emphasis on content development, production, and distribution at home and to global markets
- New points of entry, supports and access to markets, domestic and international for a wide diversity of voices;
- A focus on intellectual property (IP) creation and retention by Canadian companies so that great stories stay Canadian stories;
- Sustained involvement by government given Canada's small market and the essential role government plays in leveraging private financing for content, especially in a post-COVID marketplace; and
- A renewed Broadcasting Act that responds to the disruption in the industry and sets out a sustainable path for Canadian content creation, production and distribution;

Ultimately, the goal of a renewed approach is to support the maturity, growth and success of these businesses over time. It is to support the cultural goals of the industry – to tell great Canadian stories and create great experiences – and Canada's economy over the long-term.

There is no question that COVID-19 is devastating. It is also an opportunity to make the changes needed in the industry to ensure recovery and growth after the crisis. The CMF is ready to work towards these changes to ensure the industry thrives, and that Canadian creative teams make great content that is seen at home and in homes around the world.



About the Canada Media Fund

The Canada Media Fund (CMF) fosters, develops, finances and promotes the production of Canadian content and applications for all audiovisual media platforms. The CMF guides Canadian content towards a competitive global environment by fostering industry innovation, rewarding success, enabling a diversity of voice and promoting access to content through public and private sector partnerships. The CMF receives financial contributions from the Government of Canada and Canada's cable, satellite and IPTV distributors. Please visit cmf-fmc.ca.