



**Written Submission for the Pre-Budget
Consultations in Advance of the Upcoming 2021
Federal Budget**

Entertainment One Canada Ltd.

List of Recommendations:

Recommendation 1: The Government of Canada should ensure cross-ministerial coordination to fully maximize the economic opportunity of cultural industries

Recommendation 2: The Government of Canada should pursue changes to the Broadcasting Act to support the Canadian media sector

Recommendation 3: The Government of Canada should pursue supports for the music industry as a result of the impacts from COVID-19

Body of Submission:

About eOne Canada (eOne)

eOne is a talent-driven independent studio that specializes in the development, acquisition, production, financing, distribution and sales of entertainment content. As part of global play and entertainment company Hasbro (NASDAQ: HAS), eOne is focused on developing and bringing to global markets the best Canadian content across all media, in both English and French, including: theatrical film; scripted, unscripted, and family television; music production, sales, and artist management; podcasts; and digital, AR and VR content. eOne unlocks the power and value of creativity.

The company's diversified network of creative partners and companies include Montréal-based Les Films Séville, world-class music company Last Gang and award-winning emerging content and technology studio Secret Location.

Recommendation 1: The Government of Canada should ensure cross-ministerial coordination to fully maximize the economic opportunity of cultural industries

Cultural industries are a vital part of Canada's innovative economy. In 2017, the film and television production industry alone contributed \$12 billion to the Canadian economy, generating 171,700 full-time equivalent jobs. The industry – and particularly Canadian companies like eOne, with global footprints - invests risk capital in innovation, generates Canadian owned IP, and exports content to markets in all corners of the world.

The full potential of cultural industries requires a government wide approach beyond the scope of Canadian Heritage. Export, IP, and investment in R&D and innovation require cross department and ministerial approaches through Innovation, Science and Economic Development Canada and Canadian Heritage.

For the virtual reality/augmented reality sector (including location-based entertainment), competitiveness in the sector for Canada requires collaborative efforts between the hardware, software, and content developers. It also requires ministerial collaboration from Canadian Heritage and Innovation, Science and Economic Development Canada to highlight and support these overlapping industries. The VR/AR sector can thrive if Canadian companies are able to access funds for R&D, cross-sector innovations and content creation through mechanisms similar to that which support the development of film and television.

Our content ecosystem is supported by investments into content via agencies under the jurisdiction of Canadian Heritage. These investments have been integral in building the sector to where it is today. In an increasingly global marketplace, sustaining our industry requires protecting our IP, and monetizing that IP through export to global markets. International Trade, export support, and IP and innovation investment are all opportunities for the government to fully recognize the economic potential of the culture industry.

Recommendation 2: The Government of Canada should pursue changes to the Broadcasting Act to support the Canadian media sector

As more foreign players – specifically in the OTT space - continue to work within our borders, eOne believes it is more important than ever to institute ways for Canadian content production and distribution companies to remain healthy and continue to play a vital role in our industry as exporters of Canadian cultural products.

eOne welcomes the government’s commitment to table legislation that will ensure all content commissioners (broadcasters, OTT’s etc.), contribute to the creation of Canadian content, offer Canadian content in their catalogues, and promote Canadian content on their platforms. 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 production and, ultimately, to worldwide exploitation.

The current Broadcasting Act has regulated the sector for nearly 30 years, and it is important that Canada develops a modernized framework that will endure as the industry continues to adapt and innovate. We are looking to the Government of Canada to create a supportive regime for the creation of Canadian content now and in the future. The following recommendations seek to ensure the industry – across film, music, television, and virtual/augmented reality – is well positioned to create world class content.

- A. FILM: eOne looks to the government to distinguish between TV and film content to ensure there are respective broadcast exhibition requirements, and revenue contribution requirements explicitly for film.

As the Canadian government seeks to create an equitable competitive landscape for Canadian broadcasters and foreign based internet companies, it is important to look to models deployed by other countries to achieve the desired public policy outcomes.

Both France and Germany have taken efforts well beyond those required by the EU and have developed requirements (2 percent and 2.5 percent respectively) specifically for contribution to film. eOne recommends that in developing contribution requirements, OTTs be required to contribute a fixed percentage of revenues derived from Canadian audiences towards Telefilm.

Film distributors are an integral part of the feature film sector in Canada, providing consumers with access to feature films. The industry contributed \$1.7 billion in revenues to the economy, and Canadian distributors like eOne distribute the vast majority of feature films in the country. To maintain the jobs and opportunities, and to retain talent in Canada, there is a need for a revived regulatory framework that deals with the modernization of the film industry in light of digital industry changes. Without strong Canadian film distribution companies, there will be no Canadian feature films, which will impact all facets of the industry.

- B. CONTENT EXPORT: Incentivize Canadian producers to work with Canadian distributors and retain IP in Canada for the long-term.

The new legislative and regulatory framework ensures that there are new support levers to enable the creation of high-quality Canadian content that can compete globally. It is also important that control of that content remains in the hands of Canadians so that we can continue to derive long-term value and facilitate a virtuous cycle of reinvestment in the Canadian entertainment ecosystem.

We recommend providing the Canada Media Fund (CMF) with specific funds to allow Canadian distributors to trigger CMF funding. This would allow commissioning of Canadian content productions for the international market and increase the opportunity for Canadian programming to be ordered that otherwise wouldn't be.

Distributors play a critical role in the success of productions by awarding financing to launch productions through the investment of risk capital. Importantly, the inclusion of a Canadian distributor in a Canadian production helps ensure the IP is retained by a Canadian company, the distributors allow for greater reach domestically and internationally, and export revenues are then returned to Canada and reinvested in the content ecosystem. At present, there exists no incentive for Canadian producers to work with Canadian distributors, resulting in the IP rights

being sold to overseas companies, whereby the future revenues derived from the work are lost to the Canadian market forever.

Recommendation 3: The Government of Canada should pursue supports for the music industry as a result of the impacts from COVID-19

In the music sector, there has been a decline in music streaming due to the disruption of COVID-19 and the industry anticipates subscription cancellations across major streaming platforms. Due to studio production interruptions as well as a halt in the live touring industry, album releases have been forced to be rescheduled or delayed. The complete drop-off of live concert activity impacts the artist management sector, with direct impacts on the livelihoods of artists and small business owners (venues). Due to retail closures as well as a more long-term anticipated ruptures in global supply chain for manufacturing of CDs and vinyl, there is an expectation that the physical music business may grind to a halt – with virtually no revenues for the foreseeable future.

The following government actions should be considered in the coming weeks to ensure the continued stability and strength of the Canadian music sector:

- a) That the Canada Music Fund (CMF) annual budget be stabilized at its current \$36 million.
- b) Invest an additional \$ 10 million into the CMF annually for two years in order to support the long-term COVID-19 recovery of the music industry.
- c) Immediately begin a two-year, “Buy Canadian/Support Canadian Artists Campaign” for the arts and culture sector.
- d) Implement programs and robust tax incentives to promote the use of Canadian songs, sound recordings and screen composers in projects produced for screen-based industries.
- e) Extend the Canada Emergency Wage Subsidy for elements in the creative industries that continue to see decline in revenues over next 12-18 months as well as the extension of the subsidy to cover contract workers.
- f) Accelerate the work of legislative modernization begun through the Copyright Act review and the Broadcasting and Telecommunication Act Review.

Conclusion

The above recommendations look to ensure sustainability and future success for Canada's film, television and entertainment industry, which is ever evolving. A modernized Broadcasting Act and policy framework must retain our best talent, strengthen the Canadian cultural brand, support companies that are deeply invested in the success of the cultural industries, establish a competitive landscape, and explore new opportunities to bolster talent development.

As a result of our membership in the Canadian Media Production Association (CMPA), CACE (Canadian Association of Content Exporters), the Canadian Association of Film Distributors and Exporters (CAFDE), the Canadian Independent Music Association (CIMA), and Interactive Ontario (IO), whose roles are to represent the Canadian independent production, distribution, music, and digital media industries and their members on matters of national interest, eOne's comments herein could be qualified by the positions that these organizations advance in this process.