

# ACTRA

Hon. Bill Morneau  
Minister of Finance  
House of Commons  
Ottawa, ON K1A 0A6

Sent by e-mail: Bill.Morneau@parl.gc.ca

21 February 2019

Dear Minister Morneau,

## **Re: Investing in Canadian culture in Budget 2019**

On behalf of over 25,000 professional performers working in the English-language recorded media sector in Canada, ACTRA (Alliance of Canadian Cinema, Television and Radio Artists) would like to share our perspective with you and your colleagues as you prepare the upcoming federal budget. For 75 years, ACTRA has represented performers living and working in every corner of the country who are pivotal to bringing Canadian stories to life in film, television, videogames, sound recording, radio and digital media.

In addition to promoting Canadian culture and reflecting our regional and ethnic diversity on screen, Canada's screen-based production industry continues to drive economic growth across the country. The industry's production volume reached an all-time high of \$8.38 billion in 2016/17, helped generate 171,000 full-time jobs, and added \$12 billion to the country's GDP. Investment in the industry pays off in three major ways: telling our stories to the world; generating jobs and opportunities for thousands; and contributing millions of dollars to local economies across the country.

Our members welcomed your government's measures over the last three successive federal budgets to fulfill its election commitments to reinvest in Canada's cultural organizations like CBC/Radio-Canada, review the communication legislative framework, update Canada's intellectual property regime, and maintain funding for the Canada Media Fund.

Today, Budget 2019 is an important opportunity to continue the investment in our screen-based industry, specifically Canadian content production, to ensure it will continue to grow, and bring more jobs, wealth, prosperity and investment for Canadians.

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### Alliance of Canadian Cinema, Television and Radio Artists

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In our view, we see the clear need to support our artists, creators and producers in their mission to bring our stories and perspectives to Canadian and global audiences. ACTRA believes we need to continue to have government funding programs, public/private partnerships, and funding agencies created through requirements on private sector companies to invest in Canadian content.

ACTRA also believes our funding programs need to evolve in response to the changes in the broadcasting and production industries as well as new technologies. This is essential if Canadians are to receive the maximum benefit from these investments. A key problem to address is the decline in cable companies' contributions to Canadian content production as a result of their declining revenues. The Canada Media Fund's (CMF) budget was 5.8 per cent lower in 2017 as a consequence of this development and the reduction will continue in the coming years. Budget 2018 took steps to stabilize funding for the CMF, but this was a stopgap measure.

An equitable and sustainable solution would be to bring all players in the Canadian market into the system. Netflix and other foreign over-the-top (OTT) streaming services currently enjoy a powerful competitive advantage over analogous Canadian services. Foreign OTTs are not collecting and remitting the Goods and Services Tax (GST) and relevant provincial consumption taxes (PST/HST); they are not subject to Canadian content rules or expenditure requirements; and they are not contributing to Canadian content production.

Netflix's revenues in Canada were estimated to be \$709 million in 2016.<sup>1</sup> Assuming a blended GST/HST rate of 11 per cent and a five per cent contribution rate to a Canadian production fund, Netflix should have paid over \$113 million to our governments and production funds that year alone. As Netflix revenues grow over the next five years as their subscriber base expands and subscription fees increase, so too will the amount of foregone government revenues.

The federal government has an opportunity to implement what is fast-becoming the global and, even here at home, the provincial standard. Both Saskatchewan and Quebec have already moved forward with collecting provincial sales tax on Netflix subscriptions, and two House of Commons committees (Canadian Heritage and International Trade) have recommended the federal government do something similar. The European Union, Australia and Japan are just some of the other countries or territories that have moved in this direction.

Additionally, like OTT streaming services, Internet Service Providers (ISPs) and Wireless Service Providers (WSPs) are also providing programming to Canadians as a portion of their activity and, therefore, should also be required to make a financial contribution to Canadian content production. ACTRA has long-advocated for ISPs and WSPs to be recognized as both telecommunications carriers and broadcasting distribution undertakings. It is even more

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<sup>1</sup> [Profile 2017](#), Canadian Media Producers Association (CMPA) in association with the Department of Canadian Heritage, Telefilm Canada and AQPMP, prepared by Nordicity Canada, February 2018 (pg. 21).

imperative today we recognize them as such with both ISPs and WPS, and now OTTs, increasingly being used for the distribution and viewing of programming content globally.

Given the challenges facing Canadian content production and the inconsistent application of existing sales taxes and funding contributions, we recommend Budget 2019 address these two critical issues:

1. **Level the playing field:** Require all services – both foreign and domestic – offering online programming to Canadians, including OTT and music streaming services, register for, collect and remit the GST/HST on their Canadian subscriptions, and pay corporate taxes on Canadian revenues. ISPs, WSPs and all OTT streaming services must also be required to contribute an appropriate percentage of their gross revenues from broadcasting-related activities in Canada to the creation of Canadian content; and
2. **Invest in Canadian content production:** Increase Telefilm Canada’s Parliamentary Appropriation (by \$50 million over three years) to better position the agency to effectively carry out its mandate and reinforce strategic priorities related to gender parity, diversity and Indigenous filmmaking.

I would welcome an opportunity to discuss these proposals with you at your earliest convenience and look forward to continuing to build on the success of our industry with the Government of Canada’s ongoing support.

Sincerely,



Stephen Waddell  
National Executive Director  
ACTRA