Canadian Content in the 21st Century: Unifor Policy Proposals

January, 2017

The Canadian media landscape is undergoing a radical transformation. The economic foundations of our print and broadcast industries have been ruptured. The framework that funds Canadian content in our newspapers and on screens must be revitalized, so that Canadians may continue to access quality and timely news and entertainment that reflects our identity – now and into the future.

Unifor is acutely aware of the challenges caused by "digital disruption" in media. But despite all of the technology-driven changes to the industry, the fundamental policy priorities that have guided us through generations remain the same. Government must ensure the development and accessible distribution of high quality Canadian news, information and entertainment. Today, we have the unique opportunity to clarify these policy goals and re-fashion our ways of reaching them in this Digital Age.

Print and television media remain two pillars in the delivery of quality content (particularly as it relates to reliable news journalism) yet have been among the most severely affected by this digital transformation.

In both industries, advertising revenue – the bedrock of pre-internet news media business models – is being siphoned off by tech giants Google and Facebook. Between 2006 and 2015, overall revenue in the newspaper industry declined by 48 per cent, resulting in significant layoffs, newsroom consolidations, downsizing and closures. In private conventional television, revenues have dropped 18 per cent since 2008. Canada's smallest market local TV stations have seen profits plummet by 92 per cent since 2010. The growth of digital advertising dollars and ongoing corporate consolidations have not been able to offset these damaging trends.

The absence of any meaningful policy response from government has only exacerbated this decline, and contributed to the financial crisis in local news journalism.

What the federal government can do

There are a range of possible regulatory tools that can be used by the federal government to help grow, strengthen and sustain Canadian content in the Digital Age. Some already exist, and can be maintained. Others would be new initiatives. The adoption of any suite of regulations should be guided by a set of principles, including the following:

- **Platform & content agnostic:** government support (tax credits and production funds) should be equally available to all media providers delivering quality Canadian content, whether film, TV, print, digital or magazines.
- **Transition assistance:** government support should assist in the transition of traditional media services to digital.
- **Balance:** instituting the right mix of tax policy and regulatory support.

Unifor-supported government policy solutions and revenue tools

Maintain and expand existing federal supports

Maintain the current suite of tax and regulatory tools designed to promote and support Canadian content, including production tax credits, contributions to public broadcasting, current levies and exhibition requirements on broadcasters and distributors, among others. A new Digital Journalism Tax Credit should be established to provide a financial subsidy to digital media outlets that hire professional, feet-on-the-street journalists in news coverage.

Expand eligibility of the Canada Media Fund

Extend access to the Canada Media Fund to producers of local television in support of locally relevant news and information programming.

Revenue levy on foreign and domestic Over-the-Top (OTT) television service providers

OTT service providers are capturing the growing share of viewing audiences and so should deliver a commitment to Canadian content comparable to the obligations of traditional, licensed television Video-On-Demand or linear cable services. This levy can be phased in and used to offset falling revenues in the existing Canadian-content levy on broadcast distributors.

ISP revenue levy on domestic providers

As more television is streamed online and the internet becomes the primary source of news and information, Internet Service Providers will play an increasingly dominant role in the Canadian television and news media landscape. As such, ISPs should contribute their fair share to that system, without limiting access for low-income Canadians. A five per cent levy on monthly internet bills above $25 could inject more than $118M annually to support the production of Canadian news and entertainment.

Ensure foreign OTT providers pay their fair share of sales tax

Foreign Over-the-Top service providers should remit the appropriate sales taxes on subscriber fees (generating about $22M per year in federal HST payments from Netflix alone). Other foreign OTT media firms (such as Google and Facebook) should collect and remit HST on advertising revenue from Canada (generating between $423M and $718M by 2020).

Extend income tax rules to digital advertising

Ensure that Section 19 of the Income Tax Act applies the same tax rules to advertisers purchasing digital media space as applies to traditional media (generating about $800M to $1.4B by 2020).

Allocate spectrum sales to support Canadian content

The upcoming auction of 600MHz spectrum could generate as much as $5 billion, based on some estimates. The government should allocate a portion of this new revenue to Canadian content production.

For more information, please contact Unifor Media Director Howard Law at howard.law@unifor.org

UNIFOR
theUnion | lesyndicat

Designed by EW:CFU

Printed by COPE 343