



False Arguments Fuel Government Assistance to Canada's Entertainment Industry

The government has recently cracked down on Canadian content in the entertainment sector, and Steven Globerman, Fraser Institute senior fellow and Kaiser Professor of International Business at Western Washington University, shows in his study, *The Entertainment Industries, Government Policies and Canada's National Identity*, how government policies supporting Canada's entertainment industry are costly and inefficient. The CRTC's recent crackdown on a trio of adult channels for not showing enough Canadian content is a classic example.

"Why is the government concerned that subscribers to adult channels are not receiving a certain quota of Canadian-made adult entertainment? The only reason is to protect Canadian adult movie producers from international competition," said Globerman.

The study focuses on the production of Canadian films and television (shows and commercials), music, books and periodicals, and the distribution of entertainment (mainly television and radio). It concludes there's little evidence that government support of the entertainment industry provides a substantial benefit to the country.

And the Canadian governments support the entertainment industry in two main ways—financially and through regulation, at a cost to taxpayers.

Regulation

The main focus of government regulation (mainly rules imposed on broadcasters) is to protect Canadian producers of entertainment programming from foreign competition. For example, private television licensees must devote at least 60 per cent of the broadcast year, and at least 50 per cent of the evening broadcast period, to Canadian programs. And 35 per cent of music on commercial radio stations must be Canadian.

Moreover, according to CRTC regulations, all Canadian broadcasters must provide a majority of Canadian-owned channels to viewers. For example, if you subscribe to a 28-channel cable package from Rogers, 15 channels must be Canadian-owned.

Restrictions on foreign ownership apply, to varying degrees, across the industry because policymakers assume that Canadian-owned entertainment businesses are more willing to acquire and distribute Canadian programming, despite financial risks, and are better able to identify talented Canadians and popular Canadian programming.

However, as Globerman states, there's no reason to believe that Canadian-owned entertainment businesses are less profit-oriented than foreign owners. And if Canadian businesses have

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an advantage in finding Canadian talent, they shouldn't need protection from foreign competition.

Financial Support

Both the federal and provincial governments provide grants to the entertainment industry, in addition to indirect funding in the form of tax credits. For example, Telefilm Canada, a Crown corporation headquartered in Montreal, provides up to 49 per cent of production costs (to a maximum of \$4 million per project) for Canadian films.

"These grants are deemed appropriate, in part, to promote Canadian identity, but Canadian identity is influenced by numerous factors, and popular entertainment is far from the most influential factor," Globerman said.

In 2012-2013, the federal government spent more than \$1.6 billion on entertainment industry grants and subsidies (although a large portion went to the CBC, which also produces news and public affairs programs). Government funding, say

proponents, also helps strengthen the entertainment industry's role in the Canadian economy.

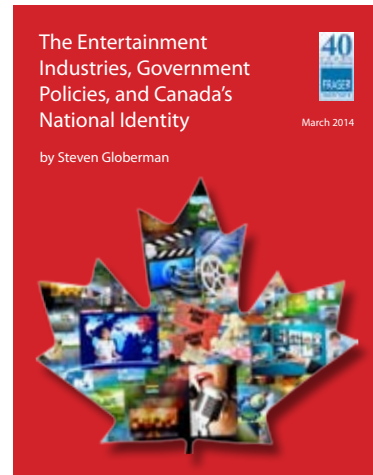
"However, the arts, entertainment and recreation industries combined for about one per cent of the GDP produced by all service industries in 2012, so it's a great exaggeration to say that the entertainment industry makes a major contribution to Canada's economy," Globerman said.

Finally, proponents argue that many talented Canadian entertainers and artists have difficulty selling their services in foreign markets, most notably the United States, and that Canadian content rules and related measures help Canadians succeed globally. However, in a world where entertainers are increasingly discovered on the Internet, this argument falls short.

Globerman counters that fundamentally, it's unfair to expect the Canadian public to bear the costs of launching the careers of Canadian entertainers, especially considering the large financial rewards realized by successful entertainers. ■



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Read the study [HERE](#)