

November 25, 2016

The Honourable Mélanie Joly, P.C., M.P.
Minister of Canadian Heritage
15 Eddy Street
Gatineau, Quebec
K1A 0M5

Dear Minister,

Corus Entertainment is pleased to submit this brief to your policy development conversation with Canadians.

As Canadian creators and content companies develop strategies and tactics for the digital economy, this policy review comes at an opportune time.

We hope that you and your department colleagues find our submission helpful and we remain at your service to move this process toward successful new approaches to policy and law.

All of the following is respectfully submitted

Sincerely,

A handwritten signature in blue ink, appearing to read "Gary Maavara". The signature is stylized with a long horizontal stroke extending to the right.

Gary Maavara
Executive Vice President and General Counsel, Corporate Secretary
Corus Entertainment Inc.

Attachment





*Government of Canada
Canadian Content in a Digital World Consultations*

*Corus Entertainment Inc.
November 25th, 2016*

Check against delivery

Introduction

In April 2016, the Minister of Canadian Heritage, The Hon. Mélanie Joly, launched the first phase of a policy review on how to strengthen the creation, discovery and export of Canadian content in a digital world. Since then, the Minister and her expert advisory panel have conducted public consultations across the country. Canadians from coast to coast to coast have shared their experiences and ideas for the future.

Corus Entertainment (Corus) appreciates the opportunity to join the conversation.

In her consultation paper, Minister Joly noted, *“to position Canada as a global leader today and into the future, we need to do a better job of promoting creative environments and talent; and fostering quality, innovation and risk-taking.”*

Corus agrees. We share the Minister’s goal of positioning Canada as a global leader.

In the borderless digital world audiences have access to content from all over the world on multiple platforms, and other countries are also working to extend their cultural sector’s reach into foreign markets. Today, the Canadian cultural sector is a player in a global competition for audiences, but it is a competition that promises to grow ever more fierce.

Canada needs a strategy for success.

As Canada’s largest pure play media company, Corus is focused on creating and producing high quality content that will engage audiences and allow us to expand into new and adjacent markets. We are committed to winning audiences at home and abroad with Canadian content. As an exporter to more than 160 countries, in more than 40 languages, we are one of the largest exporters of Canadian stories abroad.

We agree that quality, innovation and risk-taking are the key ingredients of success. We have witnessed sweeping, unprecedented changes in media in recent years. These include growing audience fragmentation (and displacement to online video viewing); significant growth in internet-based advertising; and other digital advertising channels. We are competing for both content and customers with foreign players who are very active in our domestic market.

Corus is tremendously proud of its many successes, but we know that there is much more that we, and Canada’s entire cultural sector, can and must accomplish. The status quo is not an option.

Meanwhile we are likely to see more disruptive and unpredictable changes in the future. To be able to respond and realize our shared vision of making Canada a global leader, our country will need to foster and catalyze even greater innovation and risk-taking. For that to happen, Canada will need what their foreign counterparts already have: large, well-capitalized, content-focused media companies with the scale and flexibility to compete. Export success is not just about creativity, it is about having the resources to build distribution and promotion vehicles as well.

One of the “Areas for Action” listed in Canada’s Innovation Agenda is to develop, *“the next generation of job-creating global companies.”* This is precisely what we need in the cultural

sector. Only these “global champions” will have the capital needed for new technologies and access to intellectual property ranging from great programming to computer software. Only they will have the resources and incentives to innovate and take the risks that Canada will need to rise to the next level. These entities will create jobs and export revenue for Canadians.

To truly strengthen the creation, discovery and export of Canadian content in a borderless, fiercely competitive, constantly evolving digital world we believe that Canada must cultivate home grown global champions of the sort referred to in Canada’s Innovation Agenda. In our submission below, we share some of our successes and our ideas for how the Government of Canada can help cultivate these global champions.

Corus Entertainment Inc.

Corus is a leading media and content company that creates and delivers high quality brands and content for audiences around the world. Founded in 1999 by JR Shaw, the company was built from media assets originally owned by Shaw Communications. Since its inception, the Corus asset base has continued to grow through strategic acquisitions and a strong operating discipline.

Corus Entertainment's stock is traded on the TSX under the symbol CJR.B.

Each day Corus provides thousands of jobs across Canada and we spend \$1.5 million a day on content.

Television

The Corus brands deliver compelling, engaging, interactive and informative content to millions of people every day. This portfolio of television services encompasses 45 specialty television channels and 15 conventional television stations. Our brands include Global Television, W Network, OWN: Oprah Winfrey Network Canada, HGTV Canada, Food Network Canada, History®, Showcase, National Geographic, Cosmopolitan Television, BBC Canada, Disney Channel Canada, Cooking Channel, TELETOON, Telelatino, Séries+, YTV and Nickelodeon Canada.

Our international partners include Viacom, Hearst, Disney, Univision, A & E, NBCU, Fox, Turner, BBC, Scripps and others.

Corus Quay is our state of the art facility in Toronto. It is one of the tools used by our subsidiary Quay Media Services to service Canadian and foreign clients. From pre-production concept and budget planning to master control play out and content delivery, we offer complete media services in-house. We can handle any format for any platform with speed and efficiency.

FastFile Media Services, our entertainment accessibility experts, provide full captioning, described video and subtitling services.

Radio

Corus owns and operates 39 radio stations that represent some of the most-listened to stations in Canada, located in 8 out of the 10 top markets. Our company's portfolio includes a network of leading news-talk radio stations, as well as classic rock, country, new rock and contemporary music formats.

Content

Corus creates world-class content.

Nelvana, one of the world's leading creators, producers and distributors of children's animated content, and related consumer products, is the cornerstone of the company's kids content and production business. Globally recognized brands include Franklin, Babar, and Max & Ruby. The Corus content business also includes a growing slate of original unscripted lifestyle content, targeted to women and families.

Also part of the Corus family is Toon Boom, makers of the industry's premier storyboarding and animation software. Toon Boom has set the standard for excellence, and aid in the development of the world's finest animated productions.

Kids Can Press is Canada's leader in children's publishing. Globally recognized for its extensive catalog of award-winning picture books, nonfiction and fiction titles for young readers plus home to beloved storybook characters Franklin The Turtle and Scaredy Squirrel, its books garner awards and accolades both in Canada and internationally, including nine Governor General Literary Awards.

Our scale facilitates innovation and taking on greater risks. In recent years, for example, we have made advancements in customizing the viewing experience for our audiences through innovative programming, sound quality, VOD, research, marketing and strategies to customize viewing experiences for audiences, to name a few. In turn, these have allowed us to attract greater audience share, better engage our audiences, and pursue international expansion plans. This growth has allowed us to provide meaningful opportunities and sustained investment in Canadian talent, independent producers and distributors to deliver original programming to receptive Canadian and international audiences.

For example, the Corus-owned W Network was named "Channel of the Year" by Playback Magazine in its Winter 2015 issue, and that network's top 10 rated series are all Canadian productions. W Network programs have not only succeeded in Canada but also abroad: the *Love or List It* franchise has two spin-offs in Canada along with format deals in the UK and in five other countries with options to produce, and several more in negotiations.

Corus has been involved in a number of top quality internationally successful programs with US partners such as *Rookie Blue*, *Klondike Trappers*, *Income Property*, *Expandables* and *Continuum*, *Ice Road Truckers* and the tent-pole original drama History channel series *Haven* (a co-venture) and *Lost Girl* which was acquired by Syfy. Our latest international co-production, *Ride*, is a collaboration between Canada, the US and the UK. Our original independently-produced feature film, *Anne of Green Gables* was sold to the US-based Public

Broadcasting System, and our production, *Bruno and Boots: Go Jump in the Pool*, was nominated for the Shaw Rocket Prize at MIP JR 2016.

We operate the top five most-watched kids services across Canada. Our original animation and live-action productions have also achieved international acclaim and distribution: Corus Kids live-action original productions, including *Some Assembly Required*, *Max & Shred* and *Make It Pop*, can be seen through broadcast partners in the US, UK, Latin America, Asia, France, Germany and Australia.

The Corus Nelvana studio content is available in over 160 countries on some of the world's leading networks such as Disney Channel, Nickelodeon, Cartoon Network, Mexico's Televisa, and TF1 in France and have received over 70 major international awards. We export content in 40 languages.

In addition to these successes, Corus recognizes that Canadians are better able to participate in our democracy when they can access high-quality news information and local content that reflects a diversity of voices and perspectives. Early feedback gathered by Minister Joly through this process confirms that Canadians value local content, with 87% of public respondents identifying that it was either "somewhat" or "very important" to have access to local content in their communities.

With our 15 local television channels and 39 radio stations, Corus has developed a tested local model that provides more boots on the ground and the best in-depth news coverage across the country. For example, we recently found a way to offer distinct newscasts for New Brunswick and Nova Scotia, becoming the only television group to do so. The Global TV New Brunswick newscast at both 6:00 p.m. and 11:00 p.m. highlights stories generated by our bureaus in that province and, likewise, the Global Halifax newscasts highlights stories generated by our reporters in Nova Scotia with weather forecasts specific to each province.

This novel strategy for providing newscasts specific to New Brunswick and Nova Scotia is just one example of the types of innovative approaches that Global TV is taking to create a centralized production unit which focuses on sharing content as soon as it becomes available. This frees up local journalists to cover more local stories that resonate with local viewers. Our goal is to write, edit and produce news stories and share them on multiple platforms much sooner than under a traditional model.

Global National won the 2013 Edward R. Murrow Award for Overall Excellence, the first Canadian news organization to ever do so.

Nonetheless, local news faces new threats in the digital world. As audiences have gained access to more and more content from around the globe, local news stories threaten to be lost in the shuffle. We have also witnessed pressures on local television advertising revenues over the past decade. We believe that only global champions will have the resources to innovate, and the capital to protect local television and radio operations from advertiser erosion.

The proliferation of false news web sites and on social media means that professional newsrooms are more important to democracy than ever before.

Traditional Media Still Matter

The strength of digital media is the centre of many discussions these days but it is important to remember that traditional media remain the predominant cultural medium at this time. Television, radio and books remain the primary value creators for the creators of Canadian stories.

Canadians watch 130 million hours of TV every day – that’s the equivalent of a combined four Super Bowl audiences. What’s more, the average TV campaign in Canada delivers an amazing 317 million impressions.¹

Radio continues to attract large audiences as well and is a crucial source of information during periods of community emergency such as power failures or disasters, for example, the Fort McMurray region forest fires, or the ice storms in Ontario and Québec.

Canadian radio remains highly local, with resources on the ground in the communities we serve: local studios, strong local connections, local personalities, local news and information programming. That local nature extends to radio’s revenue base – 70% of which, on average, comes from local retail rather than national advertisers. This value proposition of radio has not been replicated by digital media.

Canadians continue to listen to an average of 19 hours of radio per week which is roughly the same as it was five years ago.²

Much of the discussion about media centres on television and radio. Meanwhile there is another area that remains a crucial part of our success- books. Canadians still rely on books and still read in huge numbers. Most Canadians read books, averaging over five hours per week in reading. Reading occupies approximately a quarter of all Canadians’ leisure time.³

Though about half of Canadians read digitally at least some of the time, focus groups indicate that preferences for reading physical books remain strong.⁴ The surprise of recent research is that people are going back to buying books again.⁵

A large proportion -77% - of Canadians purchase books on an annual basis.⁶ 75% of book readers say that reading makes an important contribution to quality of life.⁷

¹ Source: Think TV – World TV Day press release November 21, 2016.

² Source: Numeris, BBM.

³ EKOS Research Associates, *Public Opinion on the Value of Books in the English Language Book Sector: Summary Report*, 2015, p. 3.

⁴ EKOS Research Associates, *Public Opinion on the Value of Books in the English Language Book Sector: Summary Report*, 2015, p. 3.

⁵ Deloitte TMT Predictions 2016.

⁶ EKOS Research Associates, *Public Opinion on the Value of Books in the English Language Book Sector: Summary Report*, 2015, p. 4.

⁷ EKOS Research Associates, *Public Opinion on the Value of Books in the English Language Book Sector: Summary Report*, 2015, p. 4.

Most Canadian millennials (86 % of ages 18-34) report reading a book in the past year, compared to 81% of other demographic groups. Of this group, 89% report reading print books, with 54% reading ebooks. Only 11% of millennials say that their phone is their primary reading device.⁸ Millennials are readers, and read using a variety of formats.

Independent Canadian publishers publish 80% of the new books written by Canadian authors each year. We are also a digital business. Digital tools and platforms are used to produce, market, and sell books in both print and ebook formats. 87% of Canadian publishers currently produce ebooks.⁹

Book publishers respond to consumer preference. At present, the market demands both print and ebooks. Ebook sales in Canada have remained steady since 2013, and currently represent 17-18% of total market share.¹⁰ Ebook lending at Canadian libraries is growing.

Meanwhile, not surprisingly, the Canadian book market is among the most competitive in the world. The production, marketing and discovery of Canadian books is a persistent challenge given our small population and proximity to the US.

Canadian publishers are essential partners in bringing Canadian content to audiences at home and abroad. We are active internationally, selling both finished books and foreign language/distribution rights in dozens of countries around the world. Kids Can Press publications are often reviewed in important foreign publications such as the New York Times Book Review.

Books and writing are among Canada's most successful cultural exports.

The Corus Big Six

Notwithstanding our many successes, we know there is much more that Corus, and Canada's entire cultural sector, can do. To be a global leader in the digital world Canada will need global champions who are innovative, take risks and are committed to Canadians.

Television, radio and books tell Canadian stories at home and abroad. There is no more important time than the present for the world to hear more Canadian stories and ideas. The world needs Canada.

In this next section, we present recommendations for how the Government of Canada can help cultivate these global champions. We call these the Corus Big Six.

⁸ BookNet Canada, "BNC Research: Millennial Book Consumers Now – Tech Forum 2016," presentation by Noah Genner, <http://www.slideshare.net/booknetcanada/bnc-research-millennial-book-consumers-now-tech-forum-2016-noah-genner>.

⁹ BookNet Canada, *The State of Digital Publishing in Canada 2015*, April 2016, p. 8.

¹⁰ BookNet Canada, "Print book sales were up in 2015," <http://www.booknetcanada.ca/press-room/2016/1/18/print-book-sales-were-up-in-2015>, January 18, 2016.

The Corus Big Six Principles for Innovation and Success

PERSPECTIVE: Embrace the merits of fostering a Canadian-owned but globally competitive media industry.

- The Canadian system now competes with the world even here at home. We must recognize that and allow Canadian companies to build upon strategies that recognize our new market realities. We can have a Canadian-owned system that is globally competitive.
- A digital strategy should seek to clarify the roles of various agencies to meet the demands of this new era. The strategy should examine broadcasting, telecommunications, radio communications, copyright and competition legislation and the current jurisdictional and agency structures to determine if they are relevant or effective.
- Don't load up regulated Canadian players with new rules and reporting obligations as unregulated foreign players with much larger financial capacity increasingly compete directly with us. In this regard, we note subsection 5(2) (g) of the *Broadcasting Act*, which requires that the regulatory system be sensitive to the administrative burden placed on broadcasters.
- On copyright matters, the government endured a contentious and protracted process but succeeded in passing new copyright legislation. We applaud this effort and the results. Meanwhile, the UCG1 provisions should be carefully examined to ensure a proper balance between creator and user rights.
- The copyright tariff system for music and other types of intellectual property has become a nightmare of myriad new claimants and a Copyright Board that is not able to provide decisions on anything near to a reasonable timetable for all concerned. The copyright administration system needs to be examined carefully.
- We urge the government to clarify fair dealing provisions in the *Copyright Modernization Act* immediately, to ensure fair compensation for the use of copyright-protected work, and the continued production of Canadian learning resources for our students.
- Align rules to global markets. For example, we recommend the relaxation of the prohibition on advertising of pharmaceuticals. Canadians already see a plethora of these messages on foreign services. Permitting this in Canada would not only establish another revenue stream estimated at \$400 million but would provide the public policy benefit of making these messages subject to Canadian law and industry standards. Canada has a superb system of vetting and monitoring advertising.
- Similarly the proliferation of on line gambling has exposed Canadians to an avalanche of unregulated advertising. We recommend a review of the salient provisions of the *Criminal Code* to allow for Canadian platform advertising that would be subject to regulation. This would serve to repatriate revenue and also clean up the messaging to meet Canadian standards.
- There is no need to change the foreign ownership rules for broadcasting and content companies. The existing Canadian capital markets are sufficient to fund our needs. We recognize that the need for capital is different in the distribution sector where capital costs are high and ongoing; however, in the content sector we have sufficient access to capital in Canada.

SCALE: Increase the probability of success for the Canadian media and entertainment industry by allowing and encouraging the creation of larger and stronger enterprises.

- Canadian companies need scale to make the investments in content and rights management that will be required to meet domestic and global market demands. The CRTC's diversity policy for television was punitive on Canadian companies and was based on an incorrect premise. Foreign scale can trump our diversity strategies. These policies need to be re-examined. Make no mistake that small entrepreneurs are to be encouraged as well, but we need some large players to maintain a relevant Canadian system.
- Similarly expand the local radio 2 (FM) +2 (AM) ownership limit for large markets and consider 3+1 or complete migration of AM to FM (4 +0) to allow heritage AM stations to migrate to the FM band without penalty. We need to secure the potential to reach audiences with important news, public affairs, local community and emergency information.
- Re-assess the Competition Bureau's definitions of market in the context of the global digital interactive media paradigm.
- Eliminate the affiliate linkage carriage rules which simply serve to limit our ability to launch new television services that Canadians want to watch.

INNOVATION: Develop a Canadian innovation strategy that supports the creation of high quality Canadian content from all Canadian producers, including producers that are affiliated with regulated Canadian media companies.

- One of the greatest regulatory inhibitors is the attempt to manage the production value chain by requiring that a large part of our content be acquired from independent producers. Corus believes that the CRTC and other agencies must stop trying to manage the value chain and instead give broadcasters the flexibility to experiment to find business models that work.
- Quotas are counter-productive in the global communications environment and especially in the non-linear digital environment. There will always be an important role in the new media universe for all producers who produce great content, whether independent or affiliated. We submit, however, that the best Canadian content will get the maximum exposure if artificial quotas are removed. Broadcasters must be allowed to own the digital rights to their content if they are expected to assume the risks and fully exploit the opportunities associate with new media broadcasting.
- The Government of Canada and its agencies must adopt a digital strategy for Canada. This strategy must not attempt to be all things for all people; we need to focus our thinking and our efforts. Meanwhile, a digital strategy must include certain key content elements:
 - Eliminate the artificial quotas requiring broadcasters to acquire large percentages of their programming from independent producers. At the very least Canada's media companies should not face barriers to creating and distributing the high quality Canadian content that is contemplated by the *Broadcasting Act*. We can create a viable production industry and the beneficiaries will be Canadian viewers, writers, performers and the economy.

- Increase access to funding mechanisms for broadcasters who also produce.
- Set aside the CRTC policy process on terms of trade – we need to own rights to be relevant and competitive. Regulators should not attempt to control investment decisions on content.

DIVERSITY: Recognize that private media enterprise success and innovation will lead to a stronger cultural system, not the current system of progressive fees, tariffs, analog-based rules and conditions.

- The Government of Canada should make no attempt to apply traditional broadcast regulatory rules to the new media activities of licensed broadcasters or any other party. There are a number of other actions, however, that the government could take to promote private media companies in the digital economy. We note that other nations have expressly noted the importance of private enterprise in their national digital strategies.
- Any bans on advertising should be avoided. These would have little impact and would curtail our ability to provide service to young people including our Healthy Active Living messaging. A ban would simply place more unregulated foreign messaging in front of Canadian audiences. The Competition Bureau has recently concluded that constraining advertising can also have deleterious unintended consequences on consumer understanding and choice.¹¹
- The government is aware of the dedication of local stations to community and charitable efforts across Canada. Broadcasters should be able to deduct airtime donations as a charitable expense under the *Income Tax Act*.
- The CRTC should re-examine the system of escalating conditions that were established to meet the goals of another era. Indexation of obligations does not meet the challenges of a global market. These fly in the face of the need for Canadian players to be efficient, resilient and globally competitive.

CREATION: Allow Canadians to experiment and create. Adopt a principles-based system to replace the rules-based system that stifles the ability of regulated entities to innovate.

- A digital strategy should contemplate a focus on identifying and removing existing regulatory barriers that inhibit the ability of licensed broadcasters to experiment, innovate and create content for distribution of new digital platforms. A flexible regulatory approach should be adopted to allow for innovation. The current regime of regulation, forbearance and exemption should be replaced with a more permissive approach. The system cannot wait for regulatory review before trying out new services.
- In radio, for example, licensees should be permitted to launch digital services absent any conditions on programming. This would facilitate experimentation with the content that would establish the consumer promise for this new technology.

¹¹ See: Bureau releases report questioning restrictions on health care advertising.
<http://www.competitionbureau.gc.ca/eic/site/cb-bc.nsf/eng/04147.html>

- Similarly, the CRTC should re-examine the ability of radio licensees to change formats and program flows. As an example, a music service should be able to migrate to a talk format without the necessity of a CRTC approval that can take months to complete with no assurance of approval.
- Our investments in digital rights management technologies and their implementation should be eligible for Canadian Programming Expenditures credit.
- Our capital investments in towers and other digital broadcasting technologies should be eligible for accelerated capital cost tax treatment as well as government funding.
- The government should also encourage the inclusion of FM receivers in mobile telephone units to provide Canadian local radio with an opportunity to stay relevant to Canadian listeners. This can also provide a crucial emergency communications tool to augment other systems. Canadians have experienced many disasters in the past two years where radio was the only effective emergency communications system.
- As the government pursues its plan to repack the 600 MHz spectrum, it must set aside funds to compensate local television broadcasters for the capital and operating investments to effect this change.

SUSTAIN: Recognize that our small market requires that the government continue its support of research, development and creation of intellectual property.

- It is inescapable that the Canadian system will continue to require direct funding and policies such as tax incentives to support the creation of the content that will tell Canadian stories to domestic and international audiences.
- Public institutions such as the CBC remain a necessary element of the Canadian media structure. Meanwhile the roles played by these and by private players can be assessed to determine what would bring the best results.
- Increase the Canada Book Fund (CBF) from its current level of \$39.5 million per year to \$54 million, to maintain competitive capacity of Canadian publishers, enhance export activity, and support continued innovation in the sector.
- In the area of tax policy, a strategy could explore expanding the ambit of section 19.1 of the *Income Tax Act* to apply to new media advertising platforms. There is some argument to be made that the section does need amendment and can be applied to digital transactions but that this would require an interpretation to that effect by the Canada Revenue Agency. We urge the Government to examine this.
- The government could also allow for investment tax credit in rights management semantics and taxonomy processes. Taking this measure would ensure a level playing field for Canadian companies in their home market, and would strengthen them financially to export Canadian content abroad.
- Similarly the government should apply GST/HST to all Digital Transactions. Under current Canadian tax rules, Canadian digital content providers are required to collect or remit GST/HST, while their foreign competitors are not. This policy creates an uneven playing field in which foreign suppliers enjoy a price advantage of up to 15 percent. Canadian consumers are encouraged to spend money outside of the Canadian economy, as a result. While Canadian producers have nonetheless managed to create high quality content over the years, there is no doubt that this sales tax loophole weakens them in the global market for digital content. Canada's entire creative community continues to suffer. Corus, thus, encourages the Government of Canada to help ensure an even playing field between foreign and domestic suppliers of digital

goods in Canada by closing the sales tax loophole. Many other jurisdictions are taking, or have taken, similar measures. For example, the state of Pennsylvania recently applied its sales tax to digital purchases including e-books, games, music (including satellite radio subscriptions), photographs, and video. This is not about singling out any one company, regulating the Internet or keeping foreign providers out of Canada. It is about tax neutrality. As the Organization for Economic Co-operation and Development notes, *“For consumption tax purposes internationally traded services and intangibles should be taxed according to the rules of the jurisdiction of consumption.”* Our rationale is simple: Canadian digital content suppliers are required to pay sales taxes, and our foreign competitors should be as well. To help realize our shared vision of positioning Canada as a global leader, the government should take steps to place Canadian content producers on a level playing field with their foreign competitors. Tax neutrality will help strengthen Canada’s communications, cultural and creative industries to say nothing of generating additional, badly-needed government revenue.

- With regard to research and development, the government should pay more attention to the “development” side of this challenge. It should also establish training as a research and development priority.
- The digital strategy should consider structures to develop a stronger understanding of consumer use of the various technologies. We need better research tools.
- Over the last 50 years, Canada has signed audiovisual coproduction treaties with 54 countries. These treaties have enabled Canada to strengthen its ties in the audiovisual sector, and to market and export Canadian talent across the globe. These agreements specifically permit Canadian producers to pool their creative resources with international partners, and tap into foreign finance markets to co-produce films and television programs with global audience appeal. Recently, the Government of Canada released a new policy on *Audiovisual Treaty Coproduction*. The new policy will remove government oversight over the contractual relationships between producers, providing them with more flexibility to negotiate the terms of their own arrangements. Corus believes that this is a step in the right direction. But, we believe that Canada can and should go even further by exploring ways of enhancing and modernizing co-production treaties with key trading partners like the United Kingdom and France. These co-production treaties have been an important contributor to Canada’s creative industries over the last 50 years. To truly position Canada as a world leader and cultivate global champions, it should seek to enhance and modernize these treaties.
- Canada should explore co-production treaties with China and India.
- Take steps to develop a production studio system in Canada that is open to all owners. To be a leader in the digital world, it is essential to enable a more robust Canadian production and distribution ecosystem that is well-equipped to bring high quality content to Canadians and global markets. It is essential that we safeguard distribution ownership from foreign distribution companies and studios who inevitably gain financial and decision-making control through their participation, and extract the long-term value of IP from the Canadian ecosystem. To do so, we believe that mechanisms must be in place to hold on to the valuable stories created here. One such mechanism, currently absent in Canada, is a strong, home-grown studio system that has the capital base to create and compete. To successfully foster more innovation and risk taking, ownership of these production studios should be open to all parties

who are prepared to take the necessary financial risks. A robust, ownership agnostic studio system, with a strong capital base, would bring the best capitalized media companies together with creators that have the greatest interest in making films and programs that will reach large audiences, both at home and abroad.

Conclusion

Corus appreciates the opportunity to participate in this discussion and would welcome the opportunity to maintain a dialogue on these important issues going forward. We share the Government's objective of positioning the Canadian cultural sector as a leader in the digital world. We also believe that the Government can take significant steps in this direction by cultivating home-grown global champions of the sort envisioned in Canada's Innovation Agenda

Only global champions will have the resources and incentives to innovate and take risks. We hope that this public consultation signals the beginning of a long term commitment to win the future for Canada's cultural sector. At Corus, we are ready to do our part.