



2016 Top Markets Report **Media and Entertainment** Country Case Study

Canada

The Canadian M&E industry will grow at a respectable 5.2 percent CAGR during 2015 to 2019, from \$47.8 billion to \$58.5 billion.¹ Canada is well positioned as an M&E leader with extra value added offerings in filming and co-production incentives for foreign investors, a vibrant game developer's marketplace, and a strong focus on copyrights to build the foundation for a robust music sector. Canada's switch to a digital M&E sector is driven by an increase in broadband penetration at 86.8 percent in 2015 - below full capacity but second among the G8 countries. Canada invests heavily in its domestic creative economy, and besides implementing content restrictions to protect the domestic market, large subsidies are provided to startups and artists, representing competition for U.S. entrants.

Overall Rank

3

Ranking of the Canadian M&E Sectors 2016

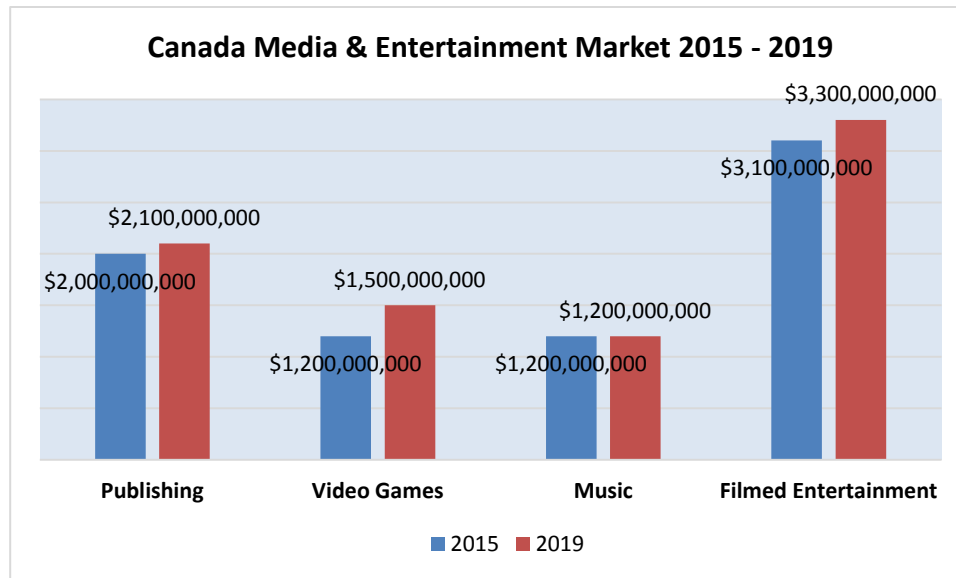
1. Video
2. Filmed Entertainment
3. Publishing
4. Music

Canada ranks third on ITA's list of top M&E export markets. There is strong demand for U.S. M&E content in Canada, while at the same time the government is serious about protecting local creative heritage, skills and languages. Canada and the United States are each other's main trading partner with strong commercial ties.

The United States has groomed many a famous Canadian entertainer as their own as far back as silent film star Mary Pickford, through the golden years of film and music with Christopher Plummer, Donald Sutherland, Glenn Ford, Norma Shearer and Robert Goulet to Alanis Morissette, Anne Murray, Assassin's Creed, Bryan Adams, Dan Aykroyd, Eugene Levy, Howie Mandel, Jason Priestley, Jim Carrey, Justin Bieber, Keanu Reeves, Matthew Perry, Michael J. Fox,

Nia Vardalos, Ryan Gosling, Ryan Reynolds, Sarah McLachlan, Seth Rogan, Shania Twain, Pamela Anderson, Paul Anka, Peter Jennings, William Shatner and many other Canadian M&E exports; Americans also enjoy notable acts like Cirque de Soleil, Celine Deon and Michael Buble - just to mention a few.

With a large economy, highly educated population, and strong high-tech and media sectors, it is no surprise that Canada ranks third on the top markets list. U.S. exporters will do well in filmed entertainment, including filming, co-production and distribution of movies, as well as licensing television content for OTT/streaming. Digital music downloads and streaming music are growing at a steady pace, although taxation and cost of business can be prohibitive vis-à-vis the U.S. dollar. The games sector is flourishing, and Canada is known as second in the world for gaming development. U.S. exporters may easily find collaborative or new opportunities in the Canadian market to match the high-tech expertise and R&D found in the U.S. marketplace.



* Data Sourced from PwC Global Media & Entertainment Outlook 2014-2018

Overview of the Market

The strong services trade with Canada sets the stage for robust M&E exports to flourish, although it is also a relatively heavily regulated market. Canada provides some of the most impressive subsidies to its creative sectors, which in turn create a slew of barriers to foreign investors and, in an effort to protect culture, also create barriers to M&E entrants.

The Canadian Radio and Telecommunications Commission (CRTC) regulates radio, television, broadcast distribution undertakings (cable, satellite and IPTV television services), most telecommunication services, wireless services and Internet Service Providers (ISPs). The CRTC reports to Parliament through the Minister of Canadian Heritage (the federal agency responsible for culture, media, sports and the arts in Canada and that also regulates Canadian content requirements for media). Innovation, Science and Economic Development Canada (formerly Industry Canada) also plays a role from the technical side.

On April 22, 2016, Canadian Heritage announced that they will begin a major review of Canada's cultural industries involving everything from regulations including the Broadcasting Act to the CRTC, Canadian content regulations and funding for cultural industries.

Filmed entertainment is geared towards North

American consumers, and there are many cooperative arrangements and opportunities between the two countries in the film industry. The CRTC regulates music broadcasting. The Canadian Academy of Recording Arts and Sciences administers Canada's music industry awards, the Juno Awards, which is similar to the U.S. Grammys.

Opportunities for U.S. Companies

Filmed Entertainment

Canada's filmed entertainment market will grow at a modest 1.9 percent from 2015 and 2019, from \$3.1 to \$3.4 billion, and by 2019, box office revenues will constitute 42 percent of film earnings.ⁱ The U.S. filmed entertainment industry enjoys a robust relationship with Canada. While Canada holds co-production treaties with over 50 countries, the United States conducts joint projects without such an official agreement, and both tax and filming incentives are available. OTT and streaming content will grow at 17.4 percent during this period.ⁱⁱ While physical home video will continue to decline, it will still constitute a \$976 million market in 2019, TV subscriptions will experience a slow and stagnant growth, staying close to \$7.6 billion from 2015 to 2019.ⁱⁱⁱ

Netflix is expanding rapidly and faces competition from Canadian cable company competitors like Shomi and CraveTVVideo. Rental kiosk company

Digiboo is establishing itself in the Canadian market, signaling growth opportunities both for digital content and physical rentals. Cineplex is operating successfully in the market as well, offering digital rentals. Canadians are increasingly choosing TV series over feature films, and movies are more often viewed on TV rather than at the theaters.

Consumers are accessing content on-demand across multiple platforms. There is also a disparity between demand for French versus English language content, which warrants further exploration and could signal good growth opportunities for U.S. content creators of English filmed entertainment if they target the right market segment. The Canadian government requires 60 percent of televised content to be Canadian, and Canadian broadcasters have to spend 30 percent of their revenues on Canadian programs.

Music

The Canadian music industry will experience nominal growth at just over 1 percent during the period from 2015 to 2019 from \$1.1115 billion to \$1.1159 billion.^{iv} Modest growth opportunities can be found in digital music, as streaming is expected to grow by 18.9 percent as Canadians adopt on-demand or web radio streaming services and online music video services. Digital downloads, in a marked revision from last year's report, will decrease by 8.8 percent, aligning the market with a trend experienced in many other top market countries.^v Digital revenues shrank 5.7 percent from 2014 to 2015, to reach \$207 million or 17 percent of Canada's music revenues, and falls behind physical revenues, which declined by 5.6 percent.^{vi} Content restrictions are in place for radio play; 35 percent of radio content must be Canadian, and 30 percent of radio play between 6am and 6pm Monday through Friday must be Canadian content. Further regulations concerning music play can be found on the Canadian Radio-TV and CRTC's website.

Games

Video games are set to reach \$1.5 billion in 2019 (4.6 percent growth) from \$1.2 billion in 2015.^{vii} Growth has been spurred by mobile gaming and game consoles as well as in related advertising revenues. While computer games are declining (digital PC games will grow 7.0 percent, but physical PC games will decline 6.4 percent during the same time),

console sales constituted 57 percent of the 2014 market and, unlike in other developed economies, will remain robust, growing 3.1 percent by 2019.^{viii} Digital console games will outgrow physical games at 14 percent between 2015 and 2019, demonstrating the shift from physical to digital distribution and consumer demand for digital.^{ix} App-based games continue to grow and "84 % of Canadian video game companies are actively working on products or services for mobile platforms," signaling intense focus and opportunities in the mobile sector.^x

Publishing

In 2015, the publishing sector reached \$1.95 billion and is set to increase to \$2.12 billion by 2019 at a growth rate of 1.7 percent.^{xi} Canadians are avid readers and purchase both electronic and print books, and the decline in the print books purchases signals the movement toward to e-books.^{xii} In 2015, consumer e-books constituted \$266 million in revenues for the publishing industry with a growth of 8.5 percent by 2019, increasing the market size to \$401 million.^{xiii} Over the same period, professional e-books will grow 10.5 percent and increase from \$85 million to \$135 million.^{xiv}

Education e-books will grow at an explosive 21.1 percent from 2015 to 2019 with revenues increasing from \$143 million in 2015 to \$372 million in 2019.^{xv} The significant growth in the e-books subsector of Canada's book publishing industry indicates that it has reached maturity and consumers will continue to make the switch over from more expensive print books to lower cost e-books. Nevertheless, the print books/audio remains popular and, in 2015, consisted of nearly 75 percent of the total publishing sector in Canada.^{xvi}

Challenges Facing U.S. M&E Exporters

There is significant demand for U.S. content in Canada, and U.S. exporters have a lot of opportunities in the market. However, online infringement is high and enforcement action weaker than expected considering the advanced marketplace. There have been complaints of illegal and uncompensated retransmission of TV content and unfair discrimination against music public performance, which are both presently being discussed by the two governments and industry representatives.

Guidance and Resources for Exporters

The following information is intended to provide guidance and resources for U.S. exporters looking to sell their services in Canada.

- Typical buyers, licensors and distributors of M&E in Canada might include state and federal government, small and medium sized private companies, and large private companies.
- Preferred business strategies to enter/expand in the market might include agreeing on distribution and setting up an office in country with local data centers.
- Common trade barriers to enter/expand in the market might include that as we move closer to a digital media based economy, it is important to note that while the privately held companies will host data on overseas servers, public sector organizations are still wary about doing so. In fact, the provincial governments of British Columbia and Nova Scotia have legislation that prohibits the storage of data outside of Canada. Many U.S. multinational vendors have set up their own regional or local office(s) in country. It is a cost of doing business in the local market. Companies should expect some significant competition from local vendors.
- [U.S. Department of Commerce Country Commercial Guide](#)
- [American Chamber of Commerce in Canada](#)

Industry Trade Associations:

- [Entertainment Software Association of Canada](#)
- [Canadian Association of Broadcasters](#)
- [Alliance of Canadian Cinema, Television and Radio Artists \(ACTRA\)](#)
- [Canadian Country Music Association](#)
- [Canadian Independent Music Association](#)
- [Canadian Media Producers Association](#)
- [Motion Pictures Association Canada](#)
- [Music Canada](#)
- [Society of Composers, Authors and Music Publishers of Canada \(SOCAN\)](#)

Government Agencies:

- [Canadian Heritage](#)
- [Canadian Radio-Television and Telecommunications Commission \(CRTC\)](#)
- [Innovation, Science and Economic Development Canada](#)
- [Ontario Media Development Corporation \(OMDC\)](#)
- [Telefilm Canada](#)

Trade Shows:

- [Banff World Media Festival](#)
- [Canadian Music Week](#)
- [Giant Screen Cinema Association \(GSCA\) International Conference & Trade Show](#)
- [Montreal International Game Summit](#)
- [Show Canada](#)
- [Toronto International Film Festival \(TIFF\)](#)

ⁱ Pricewaterhouse Coopers, "Global media and entertainment outlook," <http://www.pwcmediaoutlook.com/dataexplorer>, accessed 1/4/2016.

ⁱⁱ Pricewaterhouse Coopers, "Global media and entertainment outlook," <http://www.pwcmediaoutlook.com/dataexplorer>, accessed 1/4/2016.

ⁱⁱⁱ Pricewaterhouse Coopers, "Global media and entertainment outlook," <http://www.pwcmediaoutlook.com/dataexplorer>, accessed 1/4/2016.

^{iv} Pricewaterhouse Coopers, "Global media and entertainment outlook," <http://www.pwcmediaoutlook.com/dataexplorer>, accessed 1/4/2016.

^v Pricewaterhouse Coopers, "Global media and entertainment outlook," <http://www.pwcmediaoutlook.com/dataexplorer>, accessed 1/4/2016.

^{vi} Pricewaterhouse Coopers, "Global media and entertainment outlook," <http://www.pwcmediaoutlook.com/dataexplorer>, accessed 1/4/2016.

^{vii} Pricewaterhouse Coopers, "Global media and entertainment outlook," <http://www.pwcmediaoutlook.com/dataexplorer>, accessed 1/4/2016.

^{viii} Pricewaterhouse Coopers, "Global media and entertainment outlook," <http://www.pwcmediaoutlook.com/dataexplorer>, accessed 1/4/2016.

^{ix} Pricewaterhouse Coopers, "Global media and entertainment outlook," <http://www.pwcmediaoutlook.com/dataexplorer>, accessed 1/4/2016.

^x Canada's Video Game Industry in 2015: <http://www.nordicity.com/media/20151210faebhea.pdf>

^{xi} Pricewaterhouse Coopers, "Global media and entertainment outlook," <http://www.pwcmediaoutlook.com/dataexplorer>, accessed 1/4/2016.

^{xii} Pricewaterhouse Coopers, "Global media and entertainment outlook," <http://www.pwcmediaoutlook.com/dataexplorer>, accessed 1/4/2016.

^{xiii} Pricewaterhouse Coopers, "Global media and entertainment outlook," <http://www.pwcmediaoutlook.com/dataexplorer>, accessed 1/4/2016.

^{xiv} Pricewaterhouse Coopers, "Global media and entertainment outlook," <http://www.pwcmediaoutlook.com/dataexplorer>, accessed 1/4/2016.

^{xv} Pricewaterhouse Coopers, "Global media and entertainment outlook," <http://www.pwcmediaoutlook.com/dataexplorer>, accessed 1/4/2016.

^{xvi} Pricewaterhouse Coopers, "Global media and entertainment outlook," <http://www.pwcmediaoutlook.com/dataexplorer>, accessed 1/4/2016.