



# Impact of global studios and streamers on Canadian creatives and cultural ecosystem

April 2024



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# 1. EXECUTIVE SUMMARY

The present study examines a range of contributions from global studios and streamers to the Canadian economy. From the contracting of Canadian production services for films and television series, to a wide variety of partnerships that support Canadian creatives, the engagement of global studios and streamers is multifaceted and their impact a key ingredient in ensuring the resilience and growth of the Canadian audiovisual ecosystem.

## **Investments of global studios and streamers in Canada take many shapes.**

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The public debate on investments in the Canadian audiovisual sector is often framed around the distinction between foreign location and services (FLS) productions and Canadian content, as is defined in different legislative and policy instruments. As it appears from an overview of industry practices, the reality is more nuanced as partnerships and other forms of cooperation between domestic and foreign entities and creatives are commonplace and take many shapes.

## **Foreign investments in the Canadian media ecosystem carry benefits analogous to those of other types of foreign direct investments.**

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Although not strictly speaking fitting within the traditional notion of foreign direct investment (FDI), foreign investment in production (FIIP) from global studios and streamers carry analogous effects, in that they impact the Canadian economy through the same vectors. The presence of global firms in a given industry results in increased demand for local products and labour to support their operations. Their participation in the local economy may also foster improvements to productivity and higher wages for workers through the domestic implementation of foreign best practices. The data reviewed by KPMG supports the notion that FIIP has produced such impacts on the Canadian audiovisual sector.

Specifically, FIIP carry *horizontal spillover* effects via knowledge transfer of the practices and techniques employed in global productions to domestic productions, ensuring that the latter benefit from the latest advancements in that sector. *Vertical spillovers* happen through the increased demand created by global productions on auxiliary sectors, such as construction, transport, props, costuming, catering, and other inputs necessary to the production of a feature film or television program. MPA data substantiates the potential for such diffusion of foreign production techniques in the audiovisual sector, as 97% of those employed on FLS productions maintain their residence in Canada.

## **Foreign investment in film, television and streaming diversifies the Canadian economy and increases its resilience.**

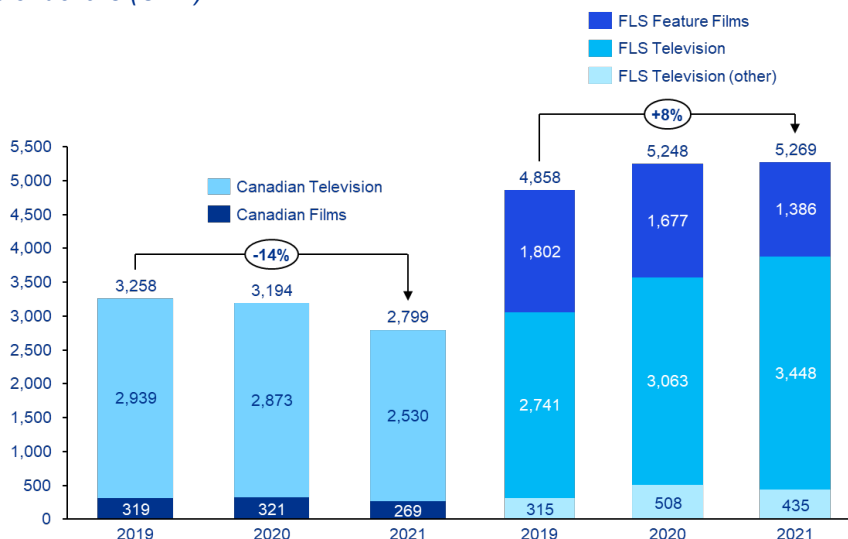
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Diversification is a key factor in mitigating risk and ensuring the long-term resilience of an industry. In the case of the Canadian audiovisual sector, the wide geographic provenance of production investment means that economic turbulences specific to the domestic or a foreign market have less of a disruptive impact on the sector overall. In this sense, the coexistence of FLS and domestic production helps strengthen the Canadian industry.

By diversifying sources of investment and employment opportunities, FIIP has made the Canadian audiovisual industry more resilient and able to withstand crises, such as the COVID-19 pandemic. Indeed, during that period, while Canadian content experienced contraction in production volume, FLS enjoyed moderate growth, leading to net overall growth in the industry and providing much-needed employment to creatives and crews, who initially experienced extreme job losses:

## Change in production volumes during the height of the COVID-19 pandemic: Canadian content versus FLS

2018-2022; millions of dollars (CAD)

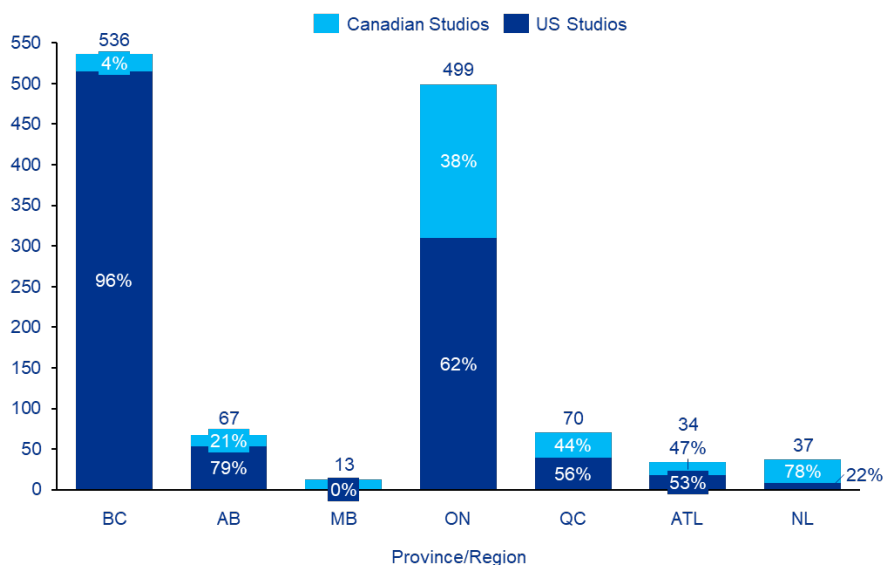


Source: Canadian Media Producers Association, "Profile 2022: Economic report on the screen-based media production industry in Canada", May 3 2023 [\[Link\]](#). Data compiled and estimated based on data received from CAVCO, the CRTC, CBC/Radio-Canada, and the Association of Provincial Television and Film Agencies.  
 Note: FLS TV (other) includes TV movies, specials, pilots, or other formats. Total financing of CRTC television productions based on estimates of historical CRTC certification volumes. KPMG has not certified the accuracy of this estimate.  
 Note: Each year refers to the period from April 1<sup>st</sup> of the previous year to March 31<sup>st</sup> of the year indicated.

Moreover, FIIP acts as a vector of diversification in the sources of investment in Canadian film, television and streaming production, whether these investments originate from the United States or elsewhere. Indeed, except in British Columbia, where FLS productions are most prevalent, Canada's regional film, television and streaming industries are sustained in comparable proportions by domestic and foreign investments.

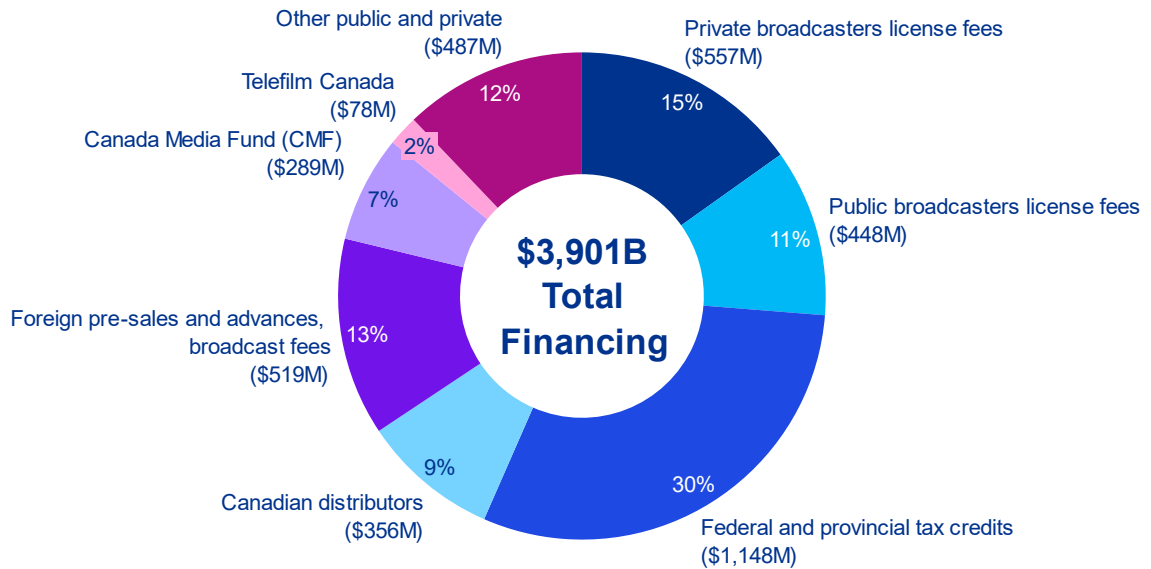
## Volume of English-language television episodes funded by Canadian versus US studios, by province/region

2021; episodes produced



Source: Reproduced from: Directors Guild of Canada, "2021 NATIONAL Director Statistics Report", November 2022. [\[Link\]](#)

**Share of financing for CRTC-certified Canadian content production, by source**  
 2021-2022; millions of dollars (CAD)



Source: Canadian Media Producers Association, "Profile 2022: Economic report on the screen-based media production industry in Canada", May 3 2023 [\[Link\]](#). Data compiled and estimated based on data received from CAVCO, the CMF and Telefilm Canada. Total financing of CRTC television productions based on estimates of historical CRTC certification volumes. KPMG has not certified the accuracy of this estimate.

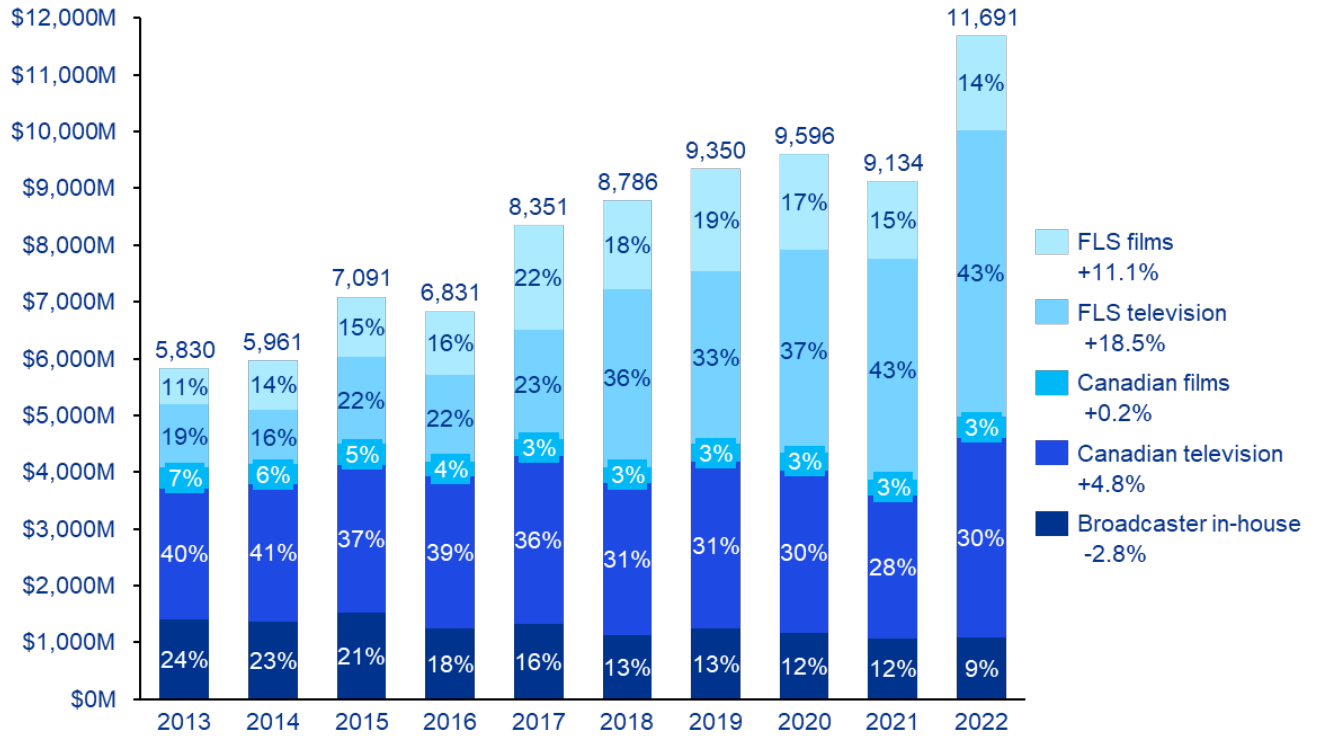
Finally, global studios and streamers provide 13% of the total financing for certified Canadian film and television productions via pre-sales, advances, broadcasting fees, etc., which is more than the combined share of Telefilm Canada and the Canada Media Fund (CMF).

**Foreign location and services production drives growth in the Canadian film, television and streaming industry.**

As of 2022, FLS production accounted for 57% of total production volume in Canada, with a total value of \$6,705 billion. This share in production has remained steady since 2018, averaging 55% over the period. In the last 10 years, FLS production volumes have experienced a cumulative average growth of 16.2%, compared to 4.8% for Canadian television and 0.2% for Canadian films.

## Evolution of net production volumes by source and type

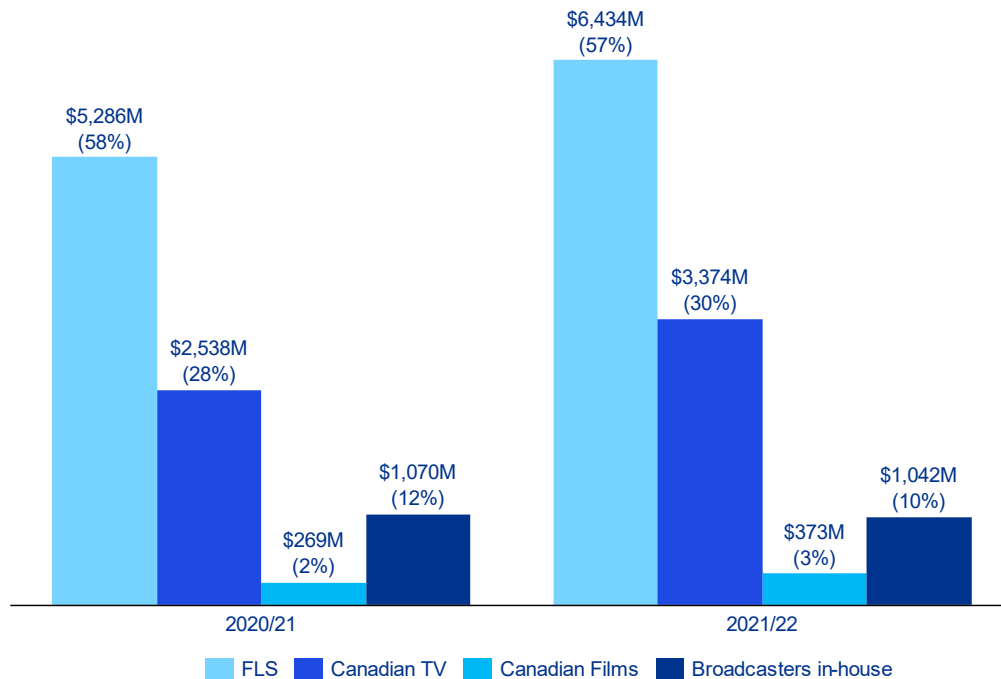
2013-2023; millions of dollars (CAD), Compound annualised growth rate (in legend)



Source: Canadian Media Producers Association, "Profile 2022: Economic report on the screen-based media production industry in Canada", May 3 2023 [Link](#). Data compiled and estimated based on data received from CAVCO, the CRTC, CBC/Radio-Canada, and the Association of Provincial Television and Film Agencies.

Similarly, FLS production remains the driving component of job growth in the sector in Canada, with a lead in average growth rates, and a change in the share of employment three times higher than that of domestic productions over the 2012-2022 period.

**Estimated labour income by production type**  
 2020-2022; millions of dollars (CAD) and percentage of total



Source: Canadian Media Producers Association, "Profile 2022: Economic report on the screen-based media production industry in Canada", May 3, 2023 [\[Link\]](#). Estimates based on data compiled by CAVCO, the CRTC, CBC/Radio-Canada, and the Association of Provincial Television and Film Agencies, industry unions, Statistics Canada and Conference Board of Canada. Note: According to the methodological approach utilised in Profile 2022, estimated labour income is computed by adding:  
 1. The product of the estimated number of direct full-time equivalent (FTE) jobs and the estimated average production-sector FTE cost. 2. The product of the estimated number of spin-off FTE jobs and the Canadian economic average for FTEs. Further information on estimation techniques can be found in the methodological annex of Profile 2022. KPMG does not certify the accuracy of this approach.

**Global investment in Canada drives technological transformation and opportunities for Canadian talent.**

According to the industry and union representatives interviewed by KPMG for the purposes of this study, much of the improvement in the technical sophistication of domestic production capacities in the last two decades can be attributed to growing FIIP and the increased use of visual effects and other advanced production techniques in FLS. The Canadian visual effects industry has directly benefited from that evolution.

**Investments from global studios and streamers are amplifying marginalized voices and providing training for the next generation of Canadian creatives.**

Global studios and streamers are important contributors to the professional and ongoing training of workers in the industry. Some of them have set up dedicated programs to support the emergence of the next generation of talent and provide them with the skills they need to succeed in the industry. Many of these initiatives are focused on communities that have traditionally been underrepresented on and off screen.



# 2. INTRODUCTION

## 2.1 Context and objectives

Canadians' viewing habits have evolved in significant ways over the last decade or so, in line with the technological changes and digitization of video contents that have enabled the emergence of new players in the global media landscape. The latest available data shows that 76% of Canadian households subscribe to at least one subscription video on demand (SVOD) service or streaming (87% in the case of people below the age of 35),<sup>1</sup> while the market share of traditional broadcasters is trending downward, recording an aggregated loss of 13 percentage points between 2013 and 2023, now standing at 71%.<sup>2</sup>

Taking stock of these changes, the Canadian government moved to modernize the *Broadcasting Act*, which had last been overhauled in 1991. This led to the passage of the *Online Streaming Act* (OSA) by Parliament in April 2023. That legislation modernizes Canada's broadcasting policy and establishes a framework governing the contribution of online broadcasters, or streamers, to the creation, distribution, promotion, and discoverability of Canadian media content.<sup>3</sup>

Pursuant to the OSA, the Canadian Radio-television and Telecommunications Commission (CRTC) is tasked with defining the precise nature of the obligations that the streamers must meet. The CRTC has indicated that it will proceed in three steps, with the first one focused on establishing a provisional financial contribution framework for streamers and traditional broadcasters pending the full implementation of the legislation.<sup>4</sup> The CRTC launched a consultation process with respect to the latter in the fall of 2023, including an opportunity for interested parties to provide written submissions and three weeks of public hearings.<sup>5</sup> As the leading advocate for the US film, television, and streaming industry in Canada, MPA is actively participating in the CRTC process. It filed written submissions and made oral representations during the hearings.

KPMG has been retained by MPA to conduct a study on the impact of global studios and streamers on Canadian creatives and the domestic cultural ecosystem, and to produce the current report presenting its findings. More specifically, the goals of this report are to:

- Provide an overview of the investments made by global studios and streamers in the production of films, television shows and series in Canada;
- Document the opportunities global studios and streamers provide to Canadian creatives for content made by, with, or about Canadians, and to make that content available to a global audience;
- Explore the role that global studios and streamers play in Canada's creative ecosystem.

## 2.2 Motion Picture Association – Canada and its members

The MPA has six members: The Walt Disney Studios, Netflix, Paramount, Sony Pictures, NBCUniversal Media and Warner Bros. Discovery. All operate streaming services available to Canadians (Disney+, Netflix,

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<sup>1</sup> Statista, "Share of people subscribing to and paying for subscription video-on-demand (SVOD) services in Canada from 2016-2023", June 20, 2023, [\[Link\]](#).

<sup>2</sup> Paid television penetration rate provided by the Media Technology Monitor.

<sup>3</sup> The current threshold for OSA registration for foreign streamers is \$10 million of revenues generated in Canada. See: CRTC, "Broadcasting Regulatory Policy CRTC 2023-329 and Broadcasting Order CRTC 2023-330", September 29, 2023. [\[Link\]](#)

<sup>4</sup> CRTC, "Modernising the broadcasting system", September 29, 2023. [\[Link\]](#)

<sup>5</sup> CRTC, "CRTC takes major step forward to modernize Canada's broadcasting framework", September 27, 2023. [\[Link\]](#)

Paramount+, Discovery+, Crunchyroll, SonyLIV and Hayu). Some of their movies and series are also distributed in Canada by domestic streamers and traditional broadcasters. Moreover, MPA members produce film, television, and streaming content in Canada, form different types of partnerships with the domestic industry, and employ local talent and crews. How the OSA is implemented by the CRTC will therefore impact their operations in this country and the effects are likely to be felt throughout the sector's value chain.

## **2.3 Methodological approach**

This study begins with a review of the economic literature on the impact of foreign direct investment on domestic industries, followed by a transposition of those findings to the audiovisual sector to assess the likely effects of global studio investments in Canada. The study then provides an overview of the investments made by global studios and streamers in the Canadian film, television and streaming ecosystem based on aggregate industry data. The impact of FLS production and investments of global studios and streamers in Canadian content (as it is currently defined) are both specifically examined.

To supplement its analysis and connect the economic theory and data with real life stories, KPMG conducted interviews with key industry representatives (producers, union leaders, executives).

## **2.4 Limitations**

The following analysis constitutes a non-exhaustive overview of the impact of global studios and streamers on the Canadian film, television, and streaming industry. It accomplishes this task via integrating academic and industry literature, industry level data and information obtained in interviews from a diverse group of people involved in the industry. KPMG's report is based on the information made available to the firm.

Notably, this report does not analyze the impact of the contribution of global studios and streamers on gross domestic product (GDP), nor does it compare it to an alternative, hypothetical scenario where they would be compelled by the CRTC to make financial contributions to production funds pursuant to the OSA.

KPMG has carried out interviews and analysis during the months of September and October 2023. KPMG can not guarantee that the information appearing in this report will be accurate at the time the reader will access it, neither that it will continue to be accurate in the future. KPMG has not conducted an audit of data used in this analysis, nor carried out all economic modeling used to support its conclusions.

# 3. OVERVIEW OF THE CANADIAN ACTIVITIES OF GLOBAL STUDIOS AND STREAMERS

This section provides a bird's-eye view of the Canadian activities of global studios and streamers, explaining the variety of ways in which they operate, from Canadian content to foreign production and other engagements.

## 3.1 Activities of global studios and streamers in Canada

With a large presence in Canada dating back decades, global studios have historically accounted for a significant portion of the total investments in the country's film and television sector.<sup>6</sup> The emergence of internet streaming in the last two decades has led to an increased demand for content. During the same period, audiovisual production in Canada has significantly expanded, driven in large part by increasing investments by global studios and streamers, as will be explored in greater details in Section 4.

But first, there is a need to define a few notions that frame much of the available data as well as the public policy conversation, and then to summarize the different business models employed by global studios and streamers in their interactions with the Canadian media ecosystem.

### 3.1.1 Foreign investment in production

Foreign investment in production (FIIP) captures the total value of international financial participation in the Canadian film, television and streaming industry, exclusive of items allocated to foreign budget components (such as the remuneration of foreign actors). FIIP includes foreign investments in Canadian television and film productions, whether certified as Canadian content or not, as well as FLS productions.

### 3.1.2 Canadian content

The notion of Canadian content has been around in some form or another since the 1920s.<sup>7</sup> At this time, Canadian content certification is used in the following contexts:

- a) To qualify as a Canadian program under the *Broadcasting Act* regime and thereby count toward the minimal Canadian content requirements imposed by the CRTC on domestic broadcasters;
- b) To secure the 25% Canadian Film or Video Production Tax Credit (CPTC), which is more generous than the 16% Film or Video Production Services Tax Credit (PSTC) otherwise available to a broad range of audiovisual productions shot in Canada, including FLS;<sup>8</sup> and

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<sup>6</sup> From 2004 to 2012, FLS production's share of total audiovisual investments in Canada ranged from 28% to 38%, averaging 32% overall. See: Canadian Media Production Association, "Profile 2013, Economic Report on the Screen-based Media Production Industry in Canada" 2013 [\[Link\]](#)

<sup>7</sup> CRTC, "So what makes it Canadian?" October 13, 2016. [\[Link\]](#)

<sup>8</sup> Both tax credits are provided for in the *Income Tax Act* and are administered by the Canadian Audio-Visual Certification Office (CAVCO): [\[Link\]](#). Note that certain genres are specifically excluded by regulation, none of which are relevant for the purposes of this report (e.g., news

- c) To access funding from Telefilm Canada, the CMF and other CRTC-certified independent production funds.<sup>9</sup>

In all of those cases, certification is based on a 10-point scale pursuant to which the Canadian citizenship or permanent residency of key creative personnel is worth 1 or 2 points:

**Table 1: Points system utilised for CRTC, CAVCO, Telefilm, and CMF certification**

Function	Points
Director	2 points
Screenwriter	2 points
Lead performer with the highest remuneration	1 point
Lead performer with the second highest remuneration	1 point
Director of photography	1 point
Art director	1 point
Music composer	1 point
Picture editor	1 point
<b>Total</b>	<b>10 points</b>

Source: CRTC, "So what makes it Canadian?" October 13, 2016. [\[Link\]](#)

Canadian content requirements vary for each type of certification. For example, to qualify for:

- a) CRTC certification, a production must score 6 points out of 10 on the scale, plus:
  - i. Either the director or screenwriter, and either the lead performer or second lead performer must be a Canadian citizen or permanent resident;
  - ii. The producer must be Canadian and control production; and
  - iii. 75% of production and 75% post-production services costs must be paid to Canadians;<sup>10</sup>
- b) CAVCO certification for the 25% CPTC, a production must meet the CRTC certification criteria, plus:
  - i. A Canadian entity or individual must own the production's copyright for all commercial exploitation purposes for a 25-year period; and
  - ii. There must be an agreement with a Canadian distributor or licensed broadcaster for the production to be shown in Canada within the first two years;<sup>11</sup>
- c) Funding from Telefilm Canada, a feature film must be certified by CAVCO for the CPTC, plus:
  - i. Score 8 points out 10 on the scale; and
  - ii. The director, screenwriter and lead performer must all be Canadian citizens or permanent residents;<sup>12</sup>
- d) Funding from the CMF, a television production must be certified by CAVCO for the CPTC, plus:

and current affairs, game shows, sports, galas, reality television). These film and television production tax credits are widely believed to have significantly contributed to the growth of the industry in Canada, as mentioned by John Weber, President and CEO of Take 5 Productions, in an interview with KPMG on September 27, 2023, and by John Lewis, Director of Canadian Affairs at the International Alliance of Theatrical Stage Employees (IATSE), the main Canadian union outside Quebec for below-the-line workers, in an interview with KPMG on September 28, 2023.

<sup>9</sup> For example: Shaw Rocket Fund, Bell Fund, Independent Production Fund, Fonds Québécois, Rogers Documentary Fund. For a full list of the certified funds, see: "List of Certified Independent Production Funds", CRTC, December 21, 2023. [\[Link\]](#)

<sup>10</sup> See: "So what makes it Canadian?", CRTC, October 10, 2016. [\[Link\]](#).

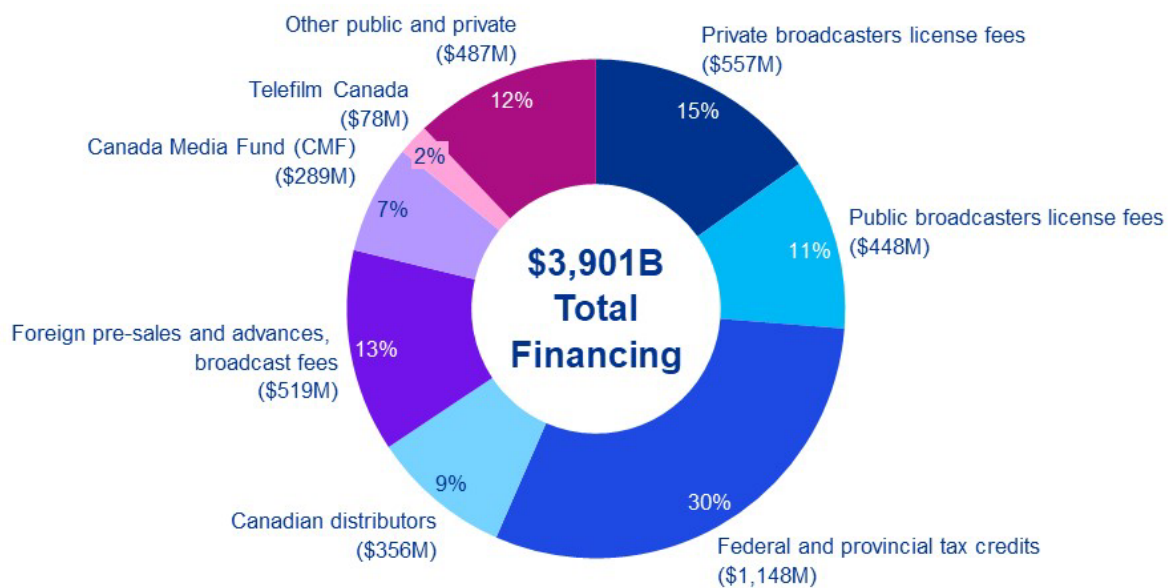
<sup>11</sup> See: CAVCO "Application Guidelines", February 20, 2023. [\[Link\]](#) Note that these are the criteria applicable to scripted live action Canadian productions. There are specific rules for treaty co-productions, documentaries, and animated productions.

<sup>12</sup> See: Telefilm Canada "Canada Feature Film Fund: Production program – Guidelines", October 18, 2023. [\[Link\]](#) Note that there is a different funding stream for treaty co-productions, with its own set of criteria.

- i. Score 10 points out 10 on the scale;
- ii. Underlying rights must be owned as well as significantly and meaningfully developed by Canadians; and
- iii. The project must be set and shot primarily in Canada.<sup>13</sup>

In 2021-2022, global studios and streamers invested in Canadian television and film productions to the tune of \$874 million, which corresponds to 11% of that year’s FIIP.<sup>14</sup> Of that amount, an estimated \$519 million financed CRTC-certified Canadian content productions through pre-sales, advances and licensing agreements, an amount that is larger than the combined investment of Telefilm Canada and the CMF in Canadian content (i.e. \$367 million).<sup>1516</sup>

**Figure 1: Share of financing for CRTC-certified Canadian content production, by source 2021-2022; millions of dollars (CAD)**



Source: Canadian Media Producers Association, “Profile 2022: Economic report on the screen-based media production industry in Canada”, May 3 2023 [Link]. Data compiled and estimated based on data received from CAVCO, the CMF and Telefilm Canada. Total financing of CRTC television productions based on estimates of historical CRTC certification volumes. KPMG has not certified the accuracy of this estimate.

### 3.1.3 Foreign location and services production

FLS productions broadly include the variety of international productions, primarily by foreign studios and streamers, that are shot or post-produced, or both, in Canada, and that do not meet the definition of Canadian content. FLS post-production work includes visual effects (VFX) carried out by Canadian technical studios in service of foreign productions, whether for productions filmed in Canada or work which is independently contracted.

<sup>13</sup> The CMF allows certain exceptions depending on the type of production and genre. See: CMF “Definitions & Essential Requirements, April 2023. [Link]

<sup>14</sup> Canadian Media Producers Association, “Profile 2022: Economic report on the screen-based media production industry in Canada”, May 3, 2023 [Link]. This number corresponds to the portion of FIIP that includes foreign presales and distribution advances for all projects certified by CAVCO as well as estimates of presales and distribution advances for non-CAVCO-certified Canadian productions.

<sup>15</sup> Canadian Media Producers Association, “Profile 2022: Economic report on the screen-based media production industry in Canada”, May 3, 2023 [Link]. See also: Figure 1.

FLS productions qualify for the PSTC. They cannot be certified by the CRTC as Canadian Programs, nor are they eligible for funding from Telefilm Canada or the CMF. In 2021-2022, this segment accounted for 89% of FIIP, for a total of \$6.705 billion.<sup>16</sup>

## 3.2 Diversity of business models in today's global marketplace

According to the MPA, existing Canadian content criteria make it such that some productions with strong cultural connection to Canada may be excluded due to failing to score a minimum of six points in their above-the-line talent, or because the copyright is acquired by a foreign firm, or other connected reason. A few recent examples include *The Handmaid's Tale* (MGM Television), *Jusqu'au déclin* (Netflix), and *500 Days in the Wild* (Paramount+, upcoming). Conversely, the existing Canadian content criteria used by the CRTC and CAVCO do not impose any requirements as to the actual content of the qualifying productions. A film or series based on a novel by a foreign author, depicting a fictional world, filmed in a foreign language, and primarily aimed at a foreign audience could still qualify for the CPTC and count toward a domestic broadcaster's Canadian content licencing requirements.

Moreover, there is a broad range of business models that exist within the industry, which in turn have varying degrees of impact on the Canadian film, television, and streaming ecosystem. The following paragraphs thus outline the different activities of global studios and streamers in Canada, in addition to FLS production, and their contribution to the Canadian audiovisual sector. Importantly, the following categories are generally not mutually exclusive. In reality, a mix of several business models can co-exist within a single production and vary over time and distribution market.

### 3.2.1 Acquisitions of full intellectual property rights

The commissioning of original work by global studios and streamers from Canadians can lead to a variety of arrangements in terms of the intellectual property (IP). Based on interviews with industry representatives, full acquisition of IP is not the rule. Indeed, it comes with a significant level of risk, as there is no guarantee that a production will be successful. The decision to acquire some or all the copyright is therefore made on a case-by-case basis, after careful analysis.

In instances where global studios and streamers acquire full IP rights, they usually do so at a premium given the exclusivity that they gain and the higher return that they can expect on their investment. In return, the Canadian originating producer secures a higher budget for the production as well as a pathway to global distribution.

### 3.2.2 Short and long-term licensing of intellectual property

The Canadian originating producer may opt to retain the IP, notably to qualify for CAVCO and CRTC certification (see Section 3.1.2). In such a case, the producer negotiates exclusive and/or non-exclusive licensing agreements with one or several domestic and global distributors, for different time periods, platforms (big screen, streaming, traditional TV, video-on-demand), and geographical markets. That process is called "windowing" in the industry and its goal is to maximize viewership and thus the returns on the initial investment.

In the case of television series funded by the CMF, the first domestic window rights must be granted to a Canadian broadcaster for a period of 7 to 10 years. In such cases, global studios and streamers can only acquire the international distribution rights and/or enter into some form of co-licensing agreement (see Section 3.2.3 on "Co-licensing").

Some producers may opt to grant a full license to a single distributor for a long period of time (typically the initial 5 to 7 years). Such an agreement is similar to full IP ownership as the licensee bears the risk of a commercial

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<sup>16</sup> Canadian Media Producers Association, "Profile 2022: Economic report on the screen-based media production industry in Canada", May 3, 2023 [\[Link\]](#).

failure. Conversely, it is a lower risk option for the originating producer, who moreover preserves the prospect of a long-term revenue stream, given that even commercially unsuccessful series may attract a niche audience and generate revenues via video on demand or a streaming platform down the road (a “long-tail”). A late success may sometimes lead to sequels and remakes, in which case long-tail rights can generate substantial revenues. However, licensing agreements that exclude these long-term rights usually attract a smaller upfront payment to the originating producer compared to full IP acquisition, as the licensee forgoes a potential upside down the road.

### 3.2.3 Co-licensing

An emerging model of development which aids in distributing risk and benefits is that of co-licensing. This practice has been used by global studios in collaboration with traditional broadcasters or distributors to reap mutual benefits from a production. This typically involves assigning specific areas and/or timeframes for the distribution rights to the co-licensors. It is most commonly done in projects with less net investment as a means of helping the producer or director achieve their creative goals while providing tangible deliverables to the co-licensor in the form of distribution rights. IP rights are usually retained by the independent producer in this business model.

An example of this model is the upcoming untitled “Arctic Comedy”, a show depicting indigenous experiences in the Far North. The show was commissioned to a Canadian independent producer by CBC and Aboriginal Peoples Television Network (APTN), who jointly obtained first domestic window rights for traditional broadcasting and streaming. Netflix for its part secured second window rights in Canada and first window rights in the rest of the world.<sup>17</sup>

One of the most successful examples of co-licensing is *Schitt’s Creek*, where CBC and Pop TV acquired first window distributions rights, with Netflix later picking up further distribution rights.<sup>18</sup> Thanks to the global reach of that platform, the series became a popular and critical success around the world, winning 115 awards, including 9 Emmys and 2 Golden Globes.<sup>19</sup>

While co-licensing often increases opportunities to both creators and partner companies, there is a degree of tension with regards to initial broadcasting rights, especially when one of the partners is a traditional Canadian broadcaster with its own online distribution channel.

### 3.2.4 Commercial co-productions

Commercial co-productions can come in many different forms.<sup>20</sup> As a commercial concept, the essence of “co-production” is a negotiated sharing of risk, rights, and revenues in which each party invests capital in proportion to the expected benefits associated with a given set of rights. Often the rights allocation is geographic. The rights may also be allocated temporally, with some partners taking only a fixed-term license. Commissioning entities often participate in these types of deals. Co-production arrangements give all the partners the ability to balance risks and rewards.

For example, the series *Reign* was a joint production effort between two Ontario-based production companies, Take 5 Productions and Whizbang Films, and Warner Bros. and CBS. Each partner made equal financial contributions and had equal say in the production process. The series qualified as Canadian content, with licensing and distribution in Canada carried out by domestic broadcasters. Outside of Canada, CBS maintained exclusive distribution rights.

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<sup>17</sup> As mentioned in by Stéphane Cardin and Tara Woodbury, both of Netflix Canada, in an interview with KPMG on October 5, 2023. For more information see: Netflix, “Netflix, CBC, and APTN Greenlight New Arctic Comedy Series”, [\[Link\]](#)

<sup>18</sup> Vulture, “The Unlikely Rise of Schitt’s Creek”, April 7, 2020. [\[Link\]](#)

<sup>19</sup> See awards on the Internet Movie Database (IMDb): [\[Link\]](#)

<sup>20</sup> Note that we use the term here in its looser commercial sense; an “official” co-production is defined in Canada as only involving specific countries with which it has signed a co-production film and television treaty, which does not include the United States.

### 3.2.5 Pre-buys and post-sales

Global studios and streamers active in the Canadian market often engage in film pre-buys as a means of meeting specific content objectives. Pre-buys involve the purchase of rights from an independent producer for a film or television series before shooting begins, or before post-production and finishing work is completed. Independent Canadian producers must secure pre-sales in order to finance their productions, and advances from international distributors can be a significant source of that funding. Pre-buy agreements can be universal or limited to certain territories. In the latter case, the independent producer has the ability to license the production for distribution in the markets that are excluded from the pre-buy agreement. Typically, a pre-buy involves settling domestic rights, but may extend to international distribution rights as well.

Post-sales, often after a production has been aired on television in Canada, are also common. Streaming platforms engage in content acquisition of Canadian television series or movies as a means of developing their country-based or international content catalogues, and marketing directly to consumers in a hosting territory. Critically acclaimed Canadian series that were acquired by streamers include *Kim's Convenience* and *Heartland*. Acquisition of distribution rights internationally thus brings additional revenues to domestic producers while showcasing Canadian stories and talent to a global audience.



# 4. BENEFITS OF FOREIGN INVESTMENT IN PRODUCTION

This section describes how investments in FLS and domestic productions represent key paths by which foreign capital contributes to the Canadian economy. Drawing parallels with the concept of foreign direct investment, the benefits of which have been widely studied in economic literature, it illustrates how, from both a quantitative and qualitative point of view, investments by global studios and streamers can boost the media content sector in Canada. Infrastructure, technology, training and other types of intangible benefits are also addressed.

## 4.1 The concept of foreign direct investment and its associated benefits

FDI is a recognized concept in economics which consists of the engagement of a multinational company in specific investments to establish a presence, via subsidiaries or other long-term investments, in another country as a means of increasing its international reach and revenues.<sup>21</sup> FDI may involve the creation of a direct tiers division that hires and contracts locally, or transplantation of operations through a partner organization.

The media industry is distinct in its structure and societal importance from other industries, but FDI remains a useful lens of reference for analyzing the effects of FIIP in Canada. Global studios and streamers, as multinational corporations, usually develop the intellectual property, carrying out conception, scriptwriting and casting in the jurisdiction of their headquarters, before transferring ground production to Canadian partners. This offshoring of production activities triggers the benefits typically associated with FDI. In bringing management practices, operation processes, and technology used in their country of origin, global studios and streamers are able to create horizontal spillovers through demonstration and competition effects.

A notable distinction between traditional FDI and FIIP is that not all studios and streamers that produce content in Canada create a subsidiary governed by Canadian laws and establish a permanent location with dedicated employees in Canada. Often, the film, television and streaming business is intermittent, with significant investments made in a short period of time for one specific production, followed by a pause of activities until the next project. Some investments from foreign studios could more readily be classified as foreign portfolio investment, as is the case with acquisitions or other business models which focus on distribution rights rather than production. Nonetheless, as foreign productions have a decades-long recurring track record in Canada and that global studios and streamers have established long lasting partnerships with local workers and suppliers, FIIP investments involving the direction of production, or foreign location shooting are akin to FDI.

Furthermore, some MPA members have set up Canadian subsidiaries with permanent establishments in the country, which meet the standard definition of FDI.

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<sup>21</sup> Global Affairs Canada, “State of Trade 2021 – A Closer Look at Foreign Direct Investment (FDI)”, September 6, 2023. [\[Link\]](#)

**Table 2: Foreign studios with significant subsidiaries in Canada (non-exhaustive)**

Studio	Subsidiary
Netflix	Netflix Canada
	Scanline VFX
Walt Disney Studios	Industrial Light & Magic Vancouver
	Disney Animation Vancouver
Sony Pictures	Sony Picture Imageworks
Paramount Pictures	Paramount+ Canada

### 4.1.1 Benefits of foreign direct investment generally

Most advanced economies are open and welcoming to FDI, as governments recognize their benefit for the economy and general welfare. Governments deploy a fair amount of resources to bring business activities from abroad, and most rely on dedicated economic development agencies with a mission to attract FDI.

There are several of those agencies in Canada, from Invest in Canada at the federal level to Invest Ontario, Investissement Québec and Trade and Invest British Columbia at the provincial level. They all dedicate, if not entirely, at least a large part of their mission and resources to the attraction of FDI. At the regional level, Montréal International, Québec International, Invest Ottawa and Invest Vancouver all share the same mission of bringing activities of multinational companies to their territory.

Around the world, economic development agencies such as World Business Chicago, Invest in France, Invest in Côte d'Azur, Germany Trade and Invest, Business Sweden and Invest in Finland are also highly involved in FDI attraction. According to the Organization for Economic Cooperation and Development (OECD), attraction of FDI is one of the main economic development activities of regional governments and development agencies.<sup>22</sup>

Through targeted activities and policies such as marketing, promotion and investment incentives, governments and their economic development agencies try to influence the location decisions of foreign investors because they expect tangible benefits from FDI.<sup>23</sup> It is usually assumed that introducing further competition into domestic markets is generally beneficial for local workers who will see additional employment opportunities and income increases, while domestic businesses will be enticed to innovate to remain competitive and adopt the more advanced technologies deployed by foreign investors. Some will also benefit from new clients if they offer goods or services required by these investors.

FDI spillovers expected by governments can be subcategorized in two main clusters, depending on the direction through which the entry of a foreign firm impacts the domestic economy. **Horizontal spillovers** refer to the transfer of knowledge, best practices or technology to competitors and other firms that operate in the same realm as the foreign investing company. **Vertical spillovers** are defined as the boost to primary suppliers and other businesses up and down the value chain that provide inputs or services to the production process of the foreign firm or purchase their products. Both types of FDI spillovers will be further analyzed in the following paragraphs.

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<sup>22</sup> POTTER, J., OECD, "Embedding foreign direct investment", 2001. [\[Link\]](#)

<sup>23</sup> See for example the commercial mission of Quebec Premier François Legault to California in December 2019, when he offered financial benefits to Hollywood studios in exchange for increasing the number of productions that they film in the province. See: La Presse, "Legault fait une offre aux producteurs d'Hollywood", December 8, 2019. [\[Link\]](#)

## 4.1.2 Horizontal spillovers from foreign direct investment

Horizontal spillovers occur in the same economic sector as the business making the foreign investment. The economic literature shows that the arrival of a new foreign player in an industry tends to trigger emulation across businesses, which translates into tangible benefits at the sectoral level. FDI's horizontal spillovers occur through three channels.<sup>24</sup> First, demonstration and competition effects mean that domestic firms operating in the same industry are inclined to adopt technologies, learn management practices, and use operating processes from foreign firms. Second, as trained workers move from foreign businesses to domestic firms, the latter can benefit from the expertise built within the multinational and more sophisticated organization. Finally, workers from a domestic firm can start a new business connected to the foreign firm.

The common denominator of the three horizontal spillover channels is an increase in productivity at the sectoral level. Productivity refers to the value created for a determined amount of input. The adoption of new technologies enables local firms to either produce more efficiently, therefore reducing its inputs, or to increase the product quality, thus creating more value. The adoption of better management practices and lean operating processes, as well as the addition of experienced workers, are all associated with increased efficiency and productivity.

The economic literature suggests a strong presence of horizontal spillovers from FDI. The OECD supports the notion of horizontal effects through worker mobility and inter-industry collaboration,<sup>25</sup> and credible studies have measured a significant and positive impact of FDI on productivity. For example, in the United States, a study estimated the international technology spillovers to American-owned firms between 1987 and 1996 and concluded that FDI accounted for 14% of the productivity growth recorded during that period.<sup>26</sup> Authors outlined that the estimated FDI spillovers are larger in the relatively-high-technology industries than in the relatively-low-technology industries, and that their results are likely to generalize to other countries and periods. In a separate study conducted in the United Kingdom, it was estimated that a 10 percentage-point increase in foreign presence in an industry raises the total factor productivity of that industry by 0.5%.<sup>27</sup>

## 4.1.3 Vertical spillovers from foreign direct investment

Vertical spillovers occur in other economic sectors than that of the investing business. There is conclusive evidence that foreign presence in a given economic sector spills over to others through buyer-seller linkages across industries.<sup>28</sup> These effects appear through two main channels.

First, as foreign firms enter a new market, they contract with local suppliers for a variety of goods and services, which increases demand and revenues. The entry of a large multinational firm may also boost demand enough to allow for economies of scale in goods manufacturing and tertiary businesses, boosting overall productivity among its suppliers. Second, multinational businesses generally set high procurement standards for their suppliers, which in turn may require local suppliers to generally improve the efficiency of their processes as well as the quality of the goods that they manufacture and services that they provide.

Evidence of positive spillover effects from the economic literature has tended to be more favourable in vertically related industries.<sup>29</sup> That is, industries in which some firms provide inputs for other firms, rather than firms that

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<sup>24</sup> WORLD BANK GROUP, "Encouraging FDI spillovers", *New growth agenda*.

<sup>25</sup> OECD, "The social impact of foreign direct investment", *OECD Policy Brief*, 2003.

<sup>26</sup> KELLER, W. and YEAPLE, S. "Multinational enterprises, international trade, and productivity growth: firm level evidence from the United States", Working Paper 9504, National bureau of economic research, United States, 2003.

<sup>27</sup> HASKEL, J., PEREIRA, S. and SLAUGHTER, M. "Does inward foreign direct investment boost the productivity of domestic firms?", Working paper 8724, National bureau of economic research, United States, 2002.

<sup>28</sup> WORLD BANK GROUP, "Encouraging FDI spillovers", *New growth agenda*.

<sup>29</sup> ALFARO, L., and CHAUVIN, J. "Foreign direct investment, finance, and economic development", *Encyclopedia of International Economics and Global Trade*, September 2017.

compete directly with one another. As an example, a study provided evidence that the establishment of multinationals in Ireland has triggered positive effects on the development of local suppliers through the creation of linkages.<sup>30</sup> Entry of domestic firms in a given industry was positively influenced by the presence of multinationals in interconnected sectors.

## 4.2 Horizontal effects of foreign location and services production

There is reason to believe that given the structural setup of the Canadian film, television and streaming industry, horizontal effects from FLS productions are amplified compared to other industries, like manufacturing. The contract-based structure of work in that sector implies that technicians and other crew members are routinely engaged on short-term projects with a fixed end date and are involved in multiple projects a year. Many freely transition between foreign and domestic productions. Local talent hired to work on FLS productions, including actors, directors, special effects specialists and audiovisual technicians, are exposed to foreign experts using advanced techniques, cutting-edge technologies and streamlined operations. After ending work on a FLS project, these individuals may then deploy their newly acquired expertise on local productions. This is an important vector for spreading knowledge that is amplified by the structure of the industry.

To understand the magnitude of the potential horizontal spillover effects in the industry, one has to consider that 97% of the people employed in FLS productions by MPA members maintain their residence in Canada.<sup>31</sup> The back-and-forth movement of these individuals between domestic and foreign productions represents a significant non-training avenue by which the best practices of global studios and streamers are transferred to the domestic industry.<sup>32</sup>

**Table 3: Workforce characteristics in film, television and streaming productions of MPA members in Canada**

*2021 and 2022; figures are an average of total MPA productions*

Workforce characteristics	FLS films	FLS television
Workers' location of residence	97% Canada 3% Abroad	97% Canada 3% Abroad
Canadian labour expenditure	87% Below-the-line 13% Above-the-line	89% Below-the-line 11% Above-the-line
Gross wages in Canada	\$26.3M	\$42.9M (per season)
Average number of Canadian jobs supported	1,010	2,024

Source: Employment Canada 2021-2022 Data Sheet provided by the MPA. Data is estimated from a sample of 42 MPA productions during the 2021-2022 calendar years. KPMG has not independently reviewed the data and cannot certify that this sample is representative of all MPA productions over the time period.

<sup>30</sup> GÖRG, H. and STROBL, E. "Multinational companies and indigenous development: an empirical analysis", Research Paper, No. 2000,22, Centre for Research on Globalisation and Labour Markets, School of Economics, University of Nottingham, Nottingham, 2000.

<sup>31</sup> Employment Canada 2021-2022 Data Sheet provided by the MPA

<sup>32</sup> In a follow-up to an interview with KPMG on September 28, 2023, John Lewis, indicated that IATSE members enjoy free movement between domestic and foreign productions. In addition, during an interview with KPMG on October 5,<sup>h</sup> 2023, Christian Lemay, President of AQTIS 514 IATSE, the union that represents below-the-line workers in Quebec, mentioned that about 10% of the 6,000 union members work on both foreign and domestic productions.

Interviews conducted with industry and union representatives for this study have tended to confirm the spillover effects from FLS productions on the Canadian audiovisual ecosystem. They testified to the significant evolution in the sophistication of the entire Canadian film and television industry in the last two decades, which they linked to the assimilation and application of valuable external knowledge and technology brought by global studios and

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*“In the last 22 years, I would say generally the capacity for production has increased exponentially in Canada: that is a reflection of deeply trained crews in multiple locations. [...] We’ve seen capacity growth, and not just in the crews, but in infrastructure: you see it with sound stages, you see it with equipment rentals, all of the ancillary industries that are necessary to support the industry are there. [...] We see big US shows coming up now, there’s fewer and fewer US crews coming up with them. [...] There isn’t a drop off in terms of capacity, in terms of quality, the effort, and the workers.”*

*- John Lewis, IATSE*

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streamers as a result of the expansion in FLS production, leading to a more independent domestic economy, with less and less need to bring in foreign workers.

John Weber, President and Chief Executive Officer of the Toronto-based drama series production company Take 5 Productions, expressed the view that local suppliers are now on par with the highest international standards. He added that massive production infrastructure investments due to increased demand caused by the growing popularity of streaming have led to the development of a “well-rounded” Canadian industry, with “world-class crews”. This is reflected by the fact that many international productions were almost exclusively produced and shot in Canada, such as *The Handmaid’s Tale* and *Star-Trek: Discovery*.

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*“Over the past few years, we have seen a significant investment in the expansion of studio facilities. In addition to studio infrastructure, we have suppliers that can support the industry and we have exceptional and highly experienced cast and crews who have worked on some of the most internationally successful projects.”*

*“There is ongoing expansion of the industry’s workforce and continued training. There are days where we have 300-400 people working on our set design and construction teams. Many of these crew members have transitioned from other trades to learn the specifics of the film industry.*

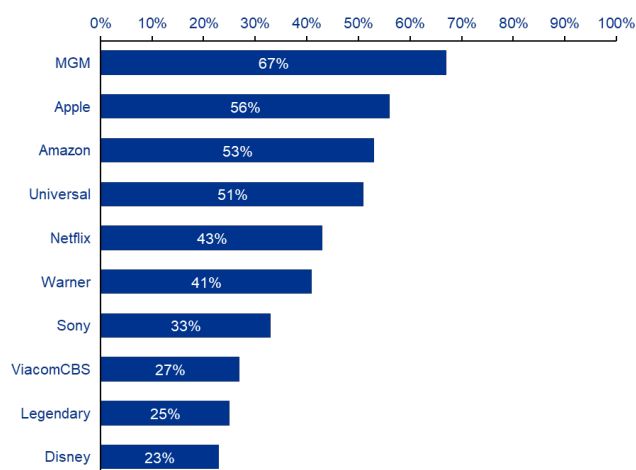
*- John Weber, Take 5 Productions*

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Christian Lemay, of AQTIS, echoed this sentiment, noting that the Quebec film, television, and streaming industry has followed a similar trajectory. Lemay believes that domestic productions have reached the same level of productivity and quality as foreign productions, albeit with relatively smaller budgets.

The horizontal spillover effects of FIIP are not limited to the below-the-line category of workers. Above-the-line Canadian talent is frequently employed on FLS productions, with Canadian directors being staffed on a significant portion of episodic television production.

**Figure 2: Percentage of television and streaming episodes filmed by US studios in Canada directed by Canadians**  
2021



Source: Reproduced from: Directors Guild of Canada, "2021 NATIONAL Director Statistics Report", November 2022. [\[Link\]](#)

The demonstration and competition effects are further illustrated by the heightened level of interest of Canadian creators in devising projects that are susceptible to reach an international audience and to pitch them to global studios and streamers for funding.

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*“Every writer out there wants to do a global serialised drama. They want to do the big, epic stuff. They want to tell big, rich stories. [...] The opportunity that Canadian writers now have to showcase their content work in Canada but also be attractive to other audiences around the world is extremely exciting. I always use the metaphor when I work with writers and anything I develop, I want that project to sort of kill two birds with one stone. I want it to work here in Canada for Canadians. [...] But I also want it to be of an aesthetic quality and creative ingenuity that it is of interest to others around the world, and that is where you have seen Canadian writers rise to the occasion.”*

*- Tom Hastings, Paramount+*

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Irrespective of where the productions are filmed, whether in Canada or abroad, global studios and streamers promote local talent involved in global productions. For instance, a Canadian creative who directed a major feature film, or acted in a popular television series, may be featured prominently in its promotion. One can think of Denis Villeneuve with *Arrival* and *Dune*, or Maitreyi Ramakrishnan with *Never Have I Ever*. Beyond benefiting the concerned individuals' career, such promotional activities may raise Canada's brand with international audiences, while helping to foster national awareness and pride at home.

### 4.3 Vertical effects of foreign location and services production

Vertical spillovers are another key outcome of global investments in film and television production. They stem from FLS expenditures on goods and services purchased from local businesses outside the audiovisual sector. Film and television productions require a plethora of inputs such as equipment, construction material for sets, props, fabrics for costumes, food and beverages for staff, and more. In addition to goods, productions generally involve expenditures on services (transport, design, health, and safety, etc.), including high value services, such as legal, accounting, tax, and information technology. Although this is not unique to FLS, there exists a high

potential that elevated technical standards for foreign productions bleed through via direct or non-direct engagements.

Vertical spillovers are the natural consequence of any FDI investment, and data from global studios and streamers shows that FLS productions have a significant impact on the local economy. A sample of 12 MPA television series filmed in Canada had labour expenditures ranging from 10.1 to 135.2 million dollars per production. Similarly, MPA members made direct purchases at 49,922 businesses throughout Canada in 2021 alone, supporting local businesses and their associated employment.

**Table 4: Expenditures of a selection of MPA television series (non-exhaustive) 2016-2021; in millions of dollars (CAD), and businesses supported**

Production	Host province	Labour expenditures	Goods and services expenditures	Direct production expenditures	Businesses supported
		\$	\$	\$	#
<i>Eyewitness</i>	Ontario	\$10.1	\$18.6	\$28.7	491
<i>A Million Little Things</i>	British Columbia	\$14.7	\$13.3	\$28.0	779
<i>The Umbrella Academy</i>	Ontario	\$45.0	\$32.0	\$77.0	980
<i>The Strain</i>	Ontario	\$26.9	\$50.8	\$77.7	632
<i>Star Trek: Discovery (Two Seasons)</i>	Ontario	\$135.2	\$122.0	\$257.2	158
<i>Superman &amp; Lois</i>	British Columbia	\$55.0	\$40.0	\$95.0	1280
<i>Supernatural, season 10</i>	British Columbia	\$29.6	\$19.0	\$48.6	1082
<i>Suits, season 5</i>	Ontario	\$15.9	\$9.9	\$25.8	576
<i>Once Upon a Time</i>	British Columbia	\$24.0	\$61.7	\$87.7	884
<i>Arrow</i>	British Columbia	\$44.3	\$27.9	\$72.2	825
<i>Riverdale, season 1</i>	British Columbia	\$16.7	\$5.7	\$22.4	773

Source: various MNP and Oxford economic analyses for individual MPA television series. See: MPA, "What We Do". [\[Link\]](#).

**Table 5: Direct purchases from MPA members to Canadian vendors, per province/territory 2022; millions of dollars (CAD)**

Province/territory	Goods and services expenditures	Number of businesses
	\$	#
Alberta	\$121.4	1,797
British Columbia	\$1679.4	21,265
Manitoba	\$20.1	888
Maritime provinces	\$23.7	637
Newfoundland & Labrador	\$0.6	6
Ontario	\$1992.0	12,181
Quebec	\$879.8	2,073
Saskatchewan	\$0.3	18
Northwest Territories, Nunavut and Yukon	N/D	N/D
<b>Total</b>	<b>\$4,813.49</b>	<b>38,965</b>

Source: MPA data calculated based on submissions received from eight major studios covering calendar year 2022. Note: Number of businesses supported in the Northwest Territories not disclosed.

## 4.4 Foreign investment in production as a means of diversification

Diversification is a strategy that consists of increasing the sources of revenues or capital gains to boost overall returns, maximize performance, and mitigate risks. Diversification may be achieved by broadening the range of market segments a business is invested in, thereby reaching a greater range of consumers. Geographical diversification may achieve similar objectives, in which a business will penetrate numerous regional markets to draw revenues from economies with different structures. The shocks experienced in one market are then absorbed by the gains made in others. Transposed to a country, a diversified and thereby more resilient economy is achieved by ensuring a diversity of businesses of variable sizes in multiple sectors, with a mix of domestic and foreign investors.

In that sense, FIIP acts as a vector of diversification in the sources of funding in Canadian film, television and streaming production, whether these investments originate from the United States or elsewhere.<sup>33</sup> Indeed, except in British Columbia, where FLS productions are clearly dominant, Canada's regional film, television and streaming industries are sustained in comparable proportions by domestic and foreign investments.

**Table 6: FLS production volume versus domestic production volume, per province/region 2021-2022; millions of dollars (CAD) and percentage**

Province	FLS production volumes	Domestic production volumes	FLS share of production volumes
	\$	\$	%
British Columbia	\$2,963	\$722	80%
Ontario	\$1,672	\$2,200	43%
Quebec	\$1,421	\$1,598	47%
Prairies and territories	\$549	\$320	63%
Atlantic Canada	\$99	\$150	40%
<b>Total/Average</b>	<b>\$6,705</b>	<b>\$4,990</b>	<b>57%</b>

Source: Canadian Media Producers Association, "Profile 2022: Economic report on the screen-based media production industry in Canada", May 3 2023 [\[Link\]](#). Data compiled and estimated based on data received from CAVCO, the CRTC, CBC/Radio-Canada, and the Association of Provincial Television and Film Agencies.

Note: Domestic production volumes include broadcaster in-house production in this table. Some discrepancies between data provided by provincial funding agencies and other data presented in the report. \$1M difference in figures from provincial and national levels for FLS. \$2M difference between provincial and national levels for domestic production. Weighted average used for average share FLS.

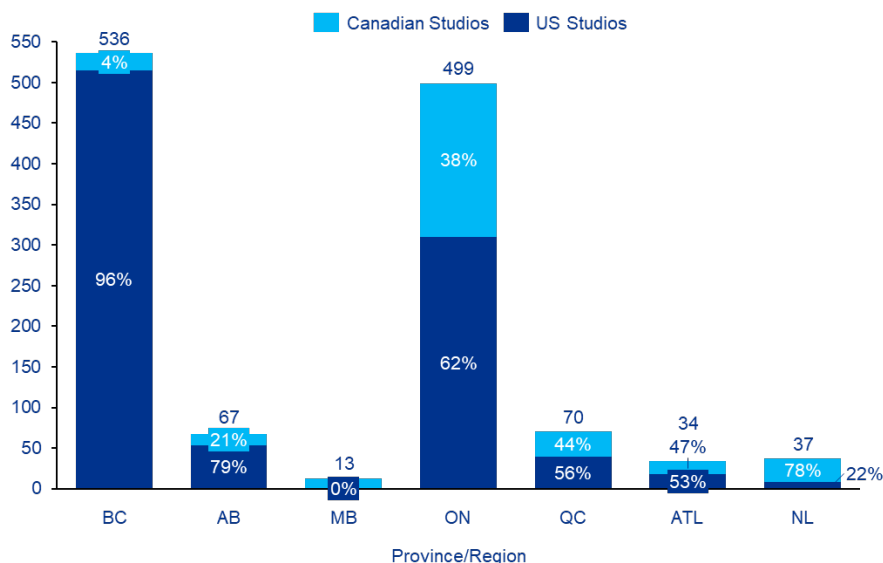
Note: 2021-2022 refers to the period from April 1, 2021, to March 31, 2022.

A comparison of the source of funding for English-language television shows across Canada further supports the notion that FLS and domestic productions play a distinct yet complementary role in supporting the sector in each province and region. As appears from figure 3 below, British Columbia leads the country in that category thanks in most part to FLS production, while Ontario maintains similar levels through a more even mix of FLS and domestic productions.

<sup>33</sup> Although a majority of FLS productions in Canada originate in the United States, a significant portion (24% in 2021-2022) had copyright lying elsewhere. See: Canadian Media Producers Association, "Profile 2022: Economic report on the screen-based media production industry in Canada", May 3, 2023 [\[Link\]](#).



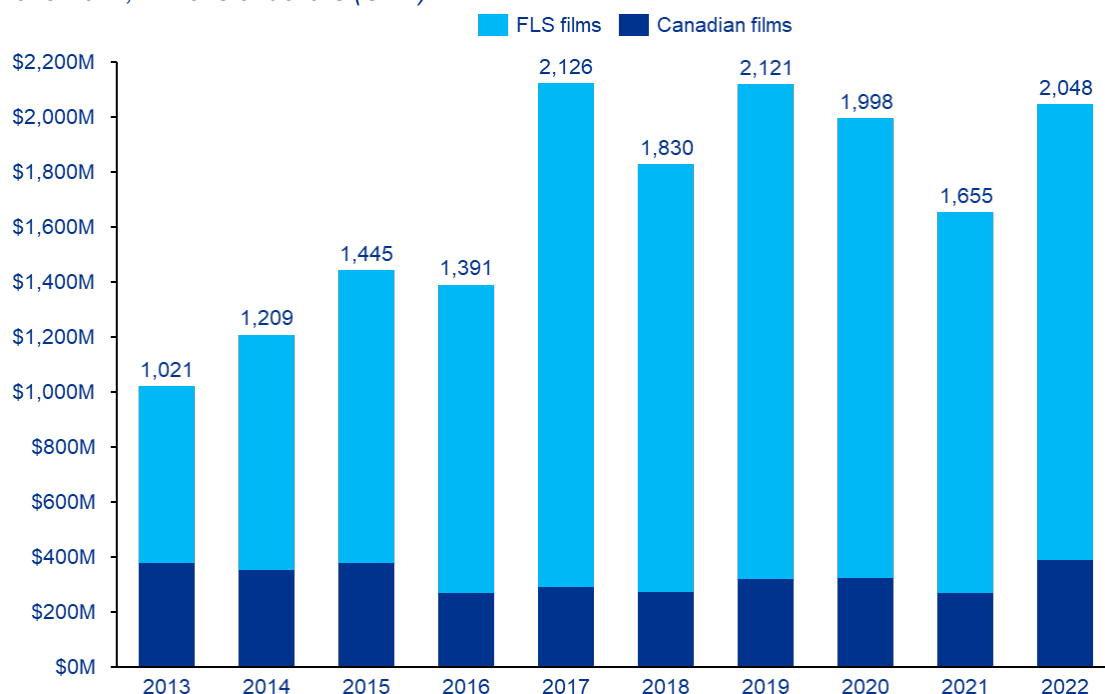
**Figure 3: Volume of English-language television episodes funded by Canadian versus US studios, by province/region**  
2021; episodes produced



Source: Reproduced from: Directors Guild of Canada, "2021 NATIONAL Director Statistics Report", November 2022. [Link](#)

The complementary roles of foreign and domestic investments in sustaining the industry also transpire from the types of productions that are funded. For example, foreign investments in feature films over the last 10 years have followed an upward trajectory, while Canadian investments have remained generally stable. In other words, this increase in foreign investments has allowed the film sector to keep expanding despite the lack of additional domestic investments.

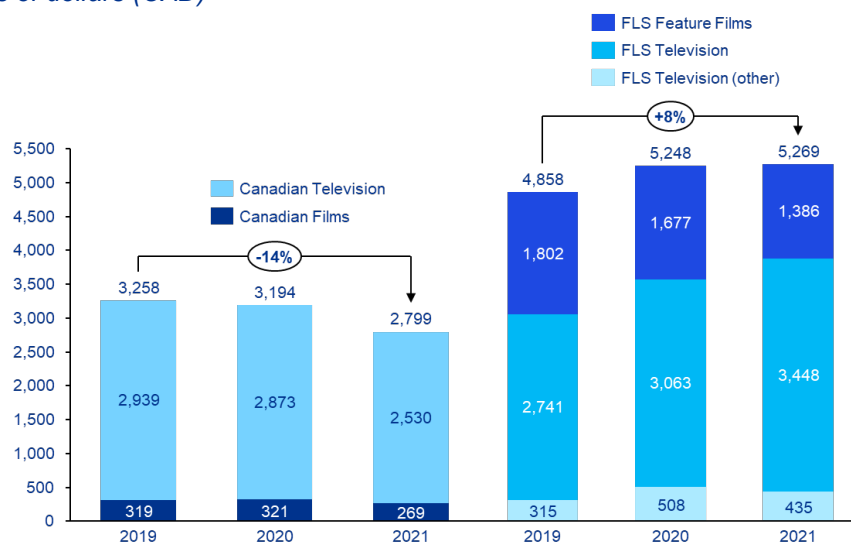
**Figure 4: Evolution in volume of production of the film production industry, by type**  
2013-2022; millions of dollars (CAD)



Source: Canadian Media Producers Association, "Profile 2022: Economic report on the screen-based media production industry in Canada", May 3 2023 [Link](#). Estimates based on data compiled by CAVCO, the CRTC, CBC/Radio-Canada, and the Association of Provincial Television and Film Agencies.  
Note: Each year refers to the period from April 1<sup>st</sup> of the previous year to March 31<sup>st</sup> of the year indicated.

The benefits of geographically diversified funding sources, and their contribution to the stability of the industry, were made apparent during the COVID-19 pandemic, which placed enormous strain on the financial and mental wellbeing of workers in the industry as all productions came to a brutal halt in March 2020.<sup>34</sup> Yet given that global studios and streamers had the means to make the additional investments required to meet new public health rules, FLS productions were the first to resume once sanitary restrictions started easing up.<sup>35</sup> This enabled the Canadian audiovisual sector to quickly regain a high level of activity, despite a major contraction in Canadian investments. FLS investments, which actually increased by 8% compared to pre-pandemic levels,<sup>36</sup> were a key factor in securing workers' livelihood and preventing their exit from the industry, to the benefit of both foreign and local producers. Had FLS production volumes contracted as did domestic productions (-14%), the industry would have experienced a loss of \$680 million in production volume over the period.<sup>37</sup>

**Figure 5: Change in production volumes during the height of the COVID-19 pandemic: Canadian content versus FLS**  
2018-2022; millions of dollars (CAD)



Source: Canadian Media Producers Association, "Profile 2022: Economic report on the screen-based media production industry in Canada", May 3 2023 [Link]. Data compiled and estimated based on data received from CAVCO, the CRTC, CBC/Radio-Canada, and the Association of Provincial Television and Film Agencies.  
Note: FLS TV (other) includes TV movies, specials, pilots, or other formats. Total financing of CRTC television productions based on estimates of historical CRTC certification volumes. KPMG has not certified the accuracy of this estimate.  
Note: Each year refers to the period from April 1<sup>st</sup> of the previous year to March 31<sup>st</sup> of the year indicated.

The film, television and streaming industry was hit by another major crisis in 2023, with the concurrent strikes of Hollywood scriptwriters and actors, pausing filming on most American productions in the United States and Canada for several months.<sup>38</sup> As a direct consequence of the strikes, Canadian below-the-line workers experienced major wage losses, as is illustrated when comparing 2022 and 2023 IATSE members monthly gross wages in Toronto and Vancouver, both major FLS production hubs.<sup>39</sup> In addition, the months-long work stoppage

<sup>34</sup> As mentioned by John Lewis, of IATSE, in an interview with KPMG on September 28, 2023.

<sup>35</sup> The Globe and Mail, "Ottawa unveils \$50-million compensation fund for film, TV productions placed at risk due to COVID-19". September 25, 2020. [Link]

<sup>36</sup> Canadian Media Producers Association, "Profile 2022: Economic report on the screen-based media production industry in Canada", May 3, 2023 [Link].

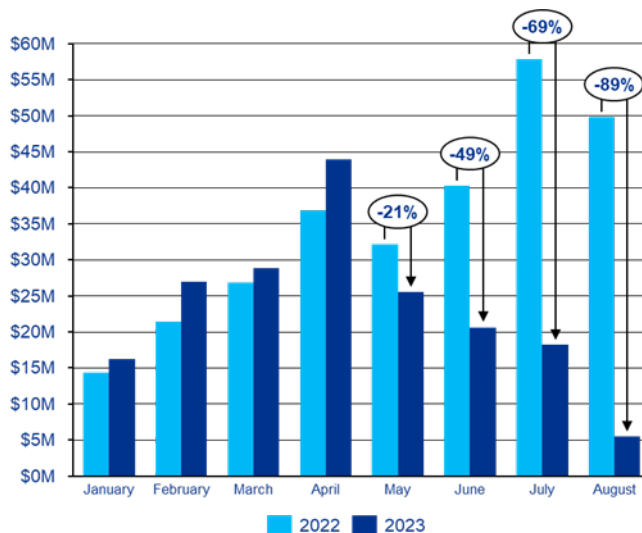
<sup>37</sup> Canadian Media Producers Association, "Profile 2022: Economic report on the screen-based media production industry in Canada", May 3, 2023 [Link].

<sup>38</sup> NPR, "Actors and studios make a deal to end Hollywood strikes", November 8, 2023. [Link]

<sup>39</sup> In Quebec, Christian Lemay, of AQTIS 514 IATSE, mentioned during his October 5, 2023 interview with KPMG that union members had collectively lost between \$70M and \$80M in wages.

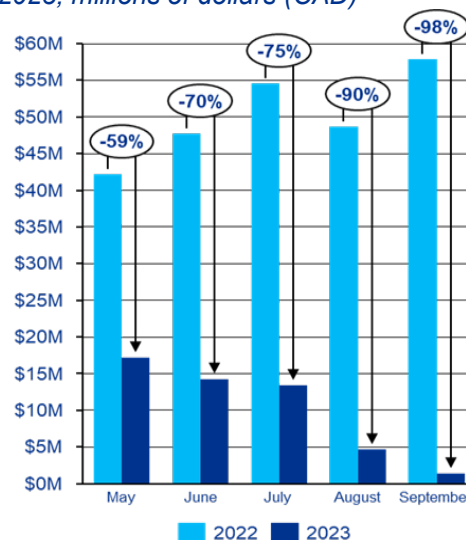
reportedly led to the permanent exit from the industry of numerous individuals who were unable to pivot to Canadian productions or other entertainment industry positions.<sup>40</sup>

**Figure 6: Decrease in gross wages for IATSE members, all production types, Toronto Local 873 2022-2023; millions of dollars (CAD)**



Source: IATSE Local 873, internal data on gross wages.

**Figure 7: Decrease in gross wages for IATSE members, all production types, Vancouver Local 891 2022-2023; millions of dollars (CAD)**



Source: IATSE Local 891, internal data on gross wages, data not provided for January - April of 2023.

The strikes provide a counterfactual example of the potential impact of decreased FLS production, and how the robustness of the Canadian industry is dependent on a combination of both domestic and foreign investments in production.

*“There’s this implicit notion that somehow when we have a lot of foreign service work, it is somehow taking away from the domestic industry... like there’s a limited amount of funding in the industry, and foreign service work somehow takes away from production possibilities for domestic producers... Other than tax credits, all the other funding sources don’t apply to foreign service work. There’s just a capacity issue on the domestic side.”*

*“Here we have a perfect example of a vacuum of production numbers, and it’s not being filled by the domestic industry because it just doesn’t have the capacity. You can’t just turn a switch on to do domestic work, but I do think these numbers tell that story, it’s not one taking from the other, these operate in silos, I think a strong industry needs both.”*

- John Lewis, IATSE

<sup>40</sup> As mentioned by John Lewis, of IATSE, in an interview with KPMG on September 28, 2023.

## 4.5 Magnitude of FLS investments in Canada

In 2021-2022, FLS investments totaled \$6.705 billion, making up more than half of total film, television and streaming production investments in Canada. It is also the fastest growing one, recording an average annual growth of 16.2% between 2012 and 2022. As a result, while FLS investments accounted for 30% of total audiovisual production volume in Canada in 2011, they had reached 57% by 2022. On top of FLS, in 2022, global studios and streamers invested \$874 million in Canadian productions, meaning that total FIIP accounted for almost 65% of audiovisual production volume.<sup>41</sup> In other words, global studios and streamers have become the driving factor behind the expansion of the entire sector. Yet it bears noting that the growth observed in FLS did not happen at the expense of Canadian content production, which also grew in absolute terms, but at smaller rates than FLS production.

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*“With the evolution of television streaming platforms, we have seen a significant increase in the volume of work here over the past decade. This growth is the result of larger projects/budgets, more streaming platforms choosing to produce in Canada, and an expansion in terms of US investment. These factors have contributed to an overall increase in the volume of production.”*

*- John Weber, Take 5 Productions”*

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**Table 7: Volume of film and television production in Canada, by category 2022; millions of dollars (CAD), percentage and percentage point (p.p.)**

Production type	Net volume	Share	10-year variation in share	Cumulative average growth rate (10 years)	10-year variation in volume
	\$	%	%	%	%
Canadian television*	\$3,514	30.1%	-10 p.p.	+4.8%	+52%
Canadian films*	\$387	3.3%	-3 p.p.	+0.2	+2%
FLS productions	\$6,705	57.3%	+28 p.p.	+16.2%	+285%
Broadcasters in-house	\$1,086	9.3%	-15 p.p.	-2.8%	-23%
<b>Total</b>	<b>\$11,692</b>	<b>100%</b>	<b>0 p.p.</b>	<b>+8%</b>	<b>+100%</b>

Source: Canadian Media Producers Association, “Profile 2022: Economic report on the screen-based media production industry in Canada”, May 3 2023 [\[Link\]](#). Data compiled and estimated based on data received from CAVCO, the CRTC, CBC/Radio-Canada, and the Association of Provincial Television and Film Agencies.

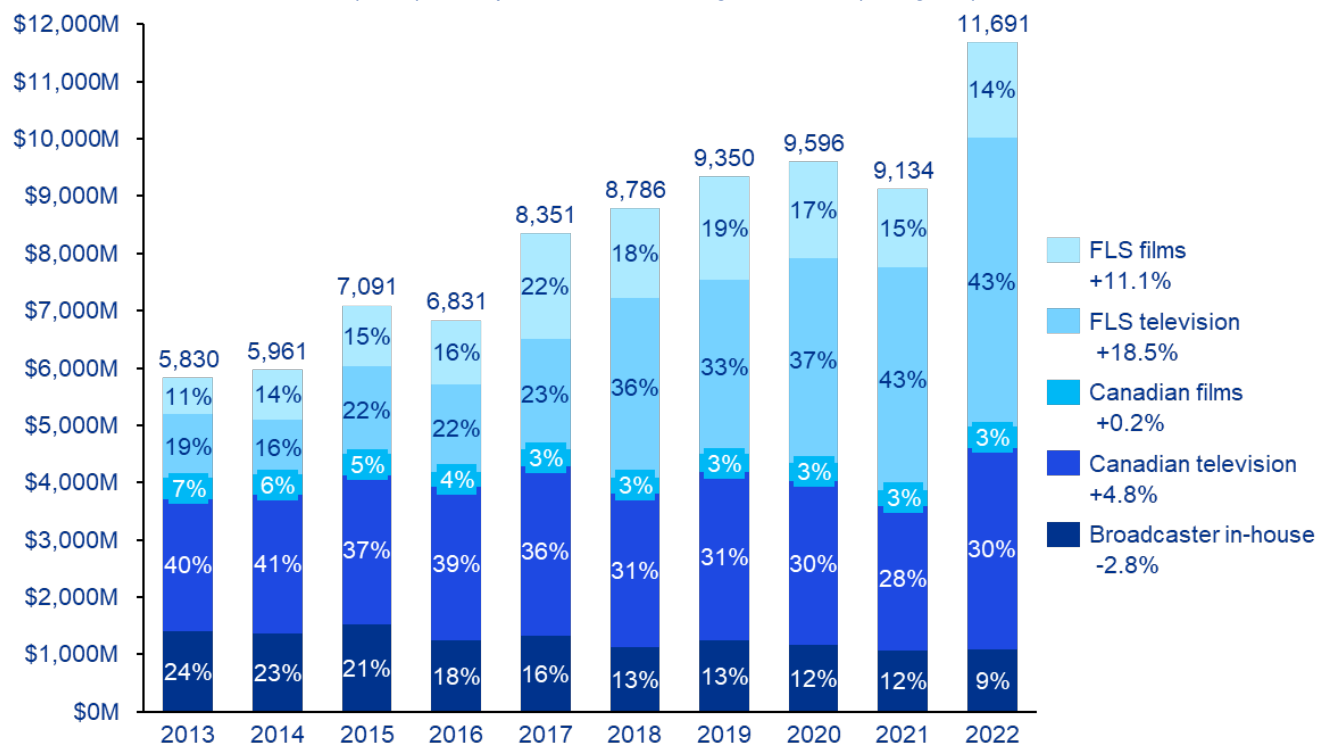
\* The figures for Canadian television and films include the \$874M invested by global studios and streamers in domestic productions.

Note: 2022 refers to the period from April 1, 2021, to March 31, 2022.

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<sup>41</sup> Canadian Media Producers Association, “Profile 2022: Economic report on the screen-based media production industry in Canada”, May, 3 2023 [\[Link\]](#).

**Figure 8: Evolution of net production volumes by source and type**  
 2013-2023; millions of dollars (CAD), Compound annualised growth rate (in legend)



Source: Canadian Media Producers Association, "Profile 2022: Economic report on the screen-based media production industry in Canada", May 3 2023 [\[Link\]](#). Estimates based on data compiled by CAVCO, the CRTC, CBC/Radio-Canada, and the Association of Provincial Television and Film Agencies.  
 Note: Each year refers to the period from April 1<sup>st</sup> of the previous year to March 31<sup>st</sup> of the year indicated.

These relatively large investments reflect different strategies pursued by global studios and streamers. Some streaming platform representatives interviewed for the purposes of this study mentioned a desire to develop a specifically Canadian offering to build their brand identity for the domestic market, and then eventually bringing successful films and television shows to other markets where they have potential to reach a local audience. Others reported favouring a global strategy where domestic content is cultivated and produced with the aim of eventually being marketed to a global audience. The industry representatives interviewed reported that culturally specific productions often have an unpredictable, but great potential for international popularity. This explains the prevalence of funding strategies oriented towards domestic productions as well as targeted marketing.

*"Netflix was the first place to realise the meaning in doing local storytelling, and doing it really well, and how that could lead to global hits. [...] When we look at Canada, that's our first intent. To make stories from Canadian creators, by local producers, primarily set in here, leaning into the endless well of Canadian stories for Canadian audiences. We believe that if we do this really well, then these stories have the chance to really explode."*

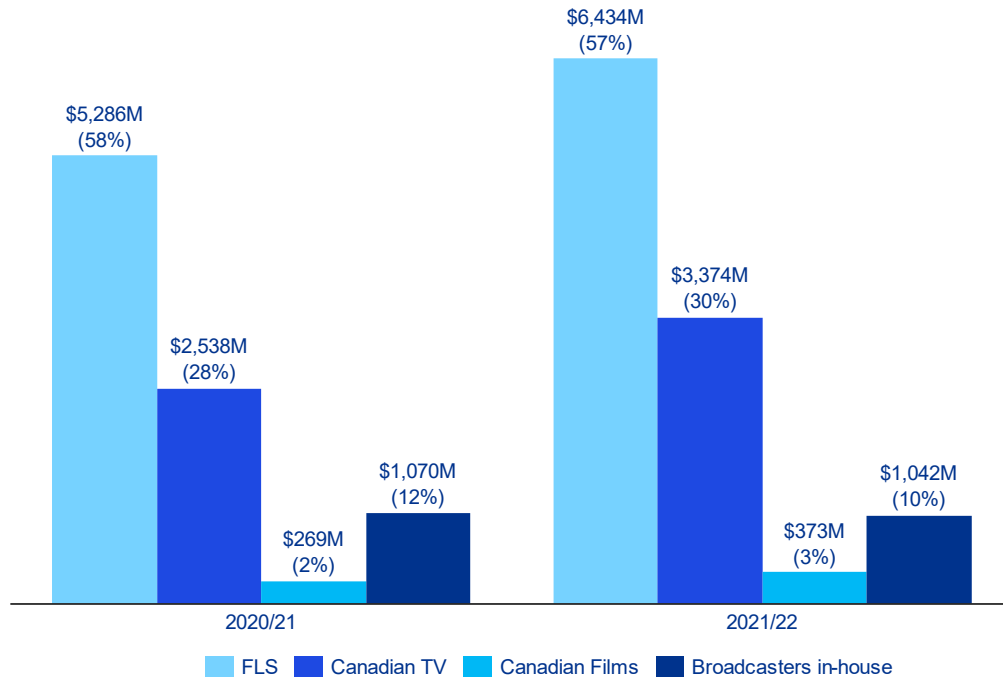
*- Tara Woodbury, Netflix Canada*

## 4.6 Employment opportunities

Although a detailed calculation of the direct and indirect jobs sustained by global studios and streamers in Canada is beyond the scope of this study, the existing data is supportive of the notion that FLS productions provide significant employment opportunities to Canadians. For example, using CAVCO data, the Canadian Media Producers Association estimated that in 2020-2021, FLS productions collectively generated \$5.286B in labour

income, with these numbers raising to \$6.434B in 2021-2022<sup>42</sup>. FLS productions were thus responsible for approximately 57-58% of income paid in the film and television sector in Canada.

**Figure 9: Estimated labour income by production type**  
2020-2022; millions of dollars (CAD) and percentage of total

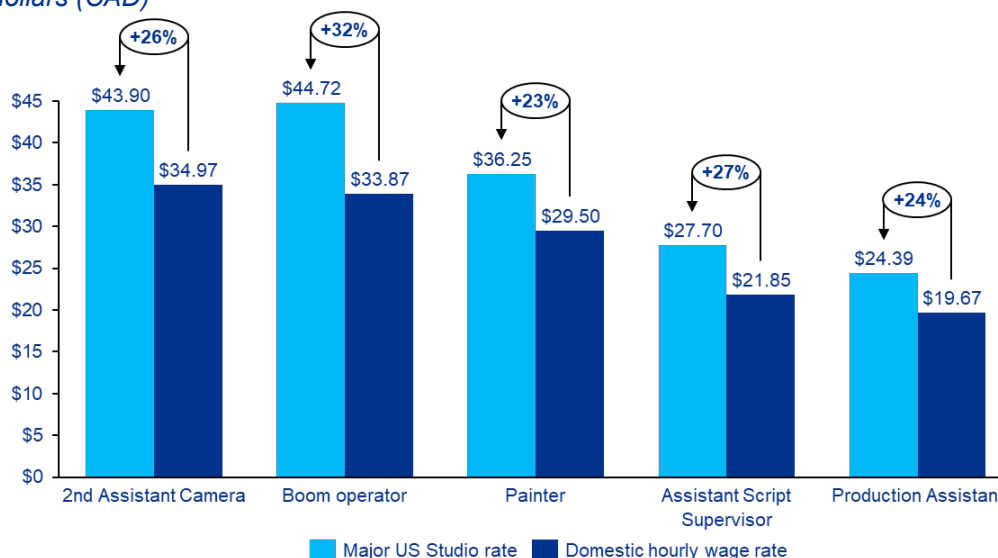


Source: Canadian Media Producers Association, "Profile 2022: Economic report on the screen-based media production industry in Canada", May 3, 2023 [\[Link\]](#). Estimates based on data compiled by CAVCO, the CRTC, CBC/Radio-Canada, and the Association of Provincial Television and Film Agencies, industry unions, Statistics Canada and Conference Board of Canada. Note: According to the methodological approach utilised in Profile 2022, estimated labour income is computed by adding:  
1. The product of the estimated number of direct full-time equivalent (FTE) jobs and the estimated average production-sector FTE cost. 2. The product of the estimated number of spin-off FTE jobs and the Canadian economic average for FTEs. Further information on estimation techniques can be found in the methodological annex of Profile 2022. KPMG does not certify the accuracy of this approach.

The presence of a robust FLS production sector in Canada also has an impact on the wages that are paid to workers in the entire sector. Established economic theory suggests that higher wages in a given industry increase the bargaining power of workers in situation of normal demand. As John Lewis, of IATSE, and Christian Lemay, of AQTIS 514 IATSE, explained during their interviews with KPMG, the remuneration paid to crew members by major US studios is usually higher than that of domestic production. This is illustrated by data provided by AQTIS 514 IATSE for Montreal wage rates showing a significant difference in scheduled rates for feature films.

<sup>42</sup> Canadian Media Producers Association, "Profile 2022: Economic report on the screen-based media production industry in Canada", May, 3 2023 [\[Link\]](#).

**Figure 10: AQTIS 514 IATSE rate differentials for domestic and major US studio feature films 2023 rates; dollars (CAD)**



Source: AQTIS 514 IATSE internal wage rates based on production type.  
 Note: Domestic productions include coproductions. Rates for domestic productions determined with the AQPM, whereas US rates are determined via the union’s promulgated agreement with the concerned studios. Rates are an average of overscale rates.

This in turn drives wages up for the entire industry, as domestic and global productions compete for the same workers. Although this constitutes a net positive for workers and their families, and as acknowledged by Mr. Lewis, the situation puts financial pressure on the domestic industry, which does not have access to the same financial levers as the global studios and streamers.

The film and television industry is not immune to recent labour shortages, and it has struggled to maintain a large enough labour pool to keep up with production demand, which in turn has pushed wages up. That said, according to Christian Lemay, such salary increases are helping to attract young people: IATSE 514 AQTIS welcomes up to a thousand new members every year (out of a total of approximately 6,000), which more than makes up for those who decide to leave the sector or retire. Moreover, there have been a number of recent public investments in training programs in the province to meet that demand.<sup>43</sup>

## 4.7 Case studies of other potential structuring benefits of the presence of global studios and streamers

The following subsections present an overview of other potential structuring benefits of the presence of global studios and streamers in Canada through a few case studies. They are illustrative of investments made by MPA members beyond film and television production, although they are not meant to be exhaustive and their impact has not been measured for the purposes of this study.

### 4.7.1 Training and talent development

Global studios and streamers have become important sources of training for Canadian below-the-line workers. According to John Lewis, of IATSE, unions and studios, both foreign and domestic, play a bigger role than provincial governments in funding educational programs for the audiovisual industry.<sup>44</sup> Even in Quebec, where

<sup>43</sup> La Presse, “La pénurie de main-d’œuvre complique les tournages”, November 8, 2023. [\[Link\]](#) See also : CVTM, “Québec accorde 1,3 M\$ à 2 organismes pour pallier la rareté de main d’œuvre du secteur de l’audiovisuel”, May 2, 2023. [Link](#).

<sup>44</sup> The Calgary facility that John Lewis refers to is a \$6.5 million facility entirely financed by IATSE Local 212 that is currently under construction. See: Livewire Calgary, “Film training, education centre breaks ground in southeast Calgary”, April 18, 2023. [\[Link\]](#)

provincial legislation requires all employers, including producers engaged by global studios and streamers, to invest the equivalent of 1% of the gross wages (that exceed \$2M) that they pay in professional training programs,<sup>45</sup> studios and unions form direct financial partnerships with vocational schools.<sup>46</sup>

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*“As an industry, a lot of training is on the job, but there is more and more classroom and formal training required. [...] even in Québec (with a 1% training tax), a large proportion of the training is being financed by our local unions and by our employers.”*

*“Our local union in Calgary was holding a ground-breaking ceremony for a big modern sophisticated training centre recently. It was 100% financed by ourselves, with contributions through our collective agreement with our employers (both global studios and local production companies).”*

*- John Lewis, IATSE*

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Some MPA members have also put in place their own talent development initiatives, in many cases aiming to address the lack of diversity in the industry. For instance, Warner Bros. Discovery’s “Access to Action” program provides access to below-the-line jobs to individuals from underrepresented communities, which has led to over 40 placements since its launch in Canada in 2021.<sup>47</sup> The studio has also partnered with the Canadian Digital Supercluster, three universities, the Vancouver Film School and a few other domestic organizations to create the first Indigenous-led virtual production filmmaking program, with 30 spots available for emerging media professionals from urban, remote, and rural Indigenous communities in British Columbia.<sup>48</sup>

Netflix is investing a portion of its global \$100 million (USD) Fund for Creative Equity in Canada.

Announced in August 2023 in partnership with IATSE Local 873, the fund offered paid internships to three Indigenous below-the-line creators.<sup>49</sup>

For its part, Paramount recently partnered up with the National Screen Institute and Toronto Metropolitan University to launch ELEVATE, a business development incubator designed to provide targeted financial, marketing, operational and entrepreneurial resources, mentorship, and networking opportunities to enhance the growth and success of BIPOC-owned production companies in Canada. The program runs for 13 months, on a part-time basis, and includes an academic component as well as investment of \$20,000 to \$50,000 from Paramount towards the expansion of participating producers’ companies.<sup>50</sup>

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<sup>45</sup> *An Act to promote workforce skills development and recognition, Consolidated Statutes of Quebec*, RSQ chapter D-8.3. [\[Link\]](#) This was also mentioned by Christian Lemay, of IATSE 514 AQTIS, during his interview of October 5, 2023.

<sup>46</sup> For example, IATSE 514 AQTIS, Union des artistes, the Directors’ Guild of Canada – Quebec and Netflix are major sponsors of the Institut national de l’image et du son, Quebec’s leading vocational school in the audiovisual sector. See: L’inis, “Partenaires”. [\[Link\]](#)

<sup>47</sup> Warner Bros. Discovery, “Access to Action Canada”, [\[Link\]](#)

<sup>48</sup> Digital Technology Supercluster, “Virtual Production Innovation Studio”. [\[Link\]](#)

<sup>49</sup> Netflix, “Training the next generation of indigenous creatives on the set of ‘You Are So Not Invited To My Bat Mitzvah’”, August 25, 2023.

[\[Link\]](#)

<sup>50</sup> National Screen Institute, “ELEVATE”. [\[Link\]](#)



The stated goal of these programs is to help talent acquire the skills that will position them for success. For example, as explained by Melanie Nepinak Hadley during her interview, Warner Bros. Discovery's Writers' Program provides writers from underrepresented backgrounds with leadership skills training. The same program also supports those who have a desire to write but have no experience outside of acting to bridge the gap.

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*“You immediately go into a writer’s room, and you are now the CEO of your show. But you have been alone writing in your room, you may have no managerial skills. Some of our other investments focus on: what are things outside of talent that you need, what are some of those conflict resolution skills [...] We try to take a look at the full picture of what it means to be a show runner, or to be a department head, and how we can make it so that they are building that skillset in addition to their craft.”*

*- Melanie Nepinak Hadley, Warner Bros. Discovery Access Canada*

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#### 4.7.2 Investment in VFX and virtual production hubs and training

As highlighted in the discussion of horizontal spillovers from FDI, one of the largest benefits that has come to Canada from foreign investment in the audiovisual sector is technological sophistication. The increased complexity of international projects, especially those coming from Hollywood, has led to major investments in VFX and other techniques for the completion of production. In fact, demand from FLS has led to a major expansion of that segment of the industry in Canada. In turn, dedicated curriculum at various art and film schools around Canada have sprung up, providing future workers with the relevant technical training.<sup>51</sup>

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*“There are many demands on the technical and visual effects side of the filmmaking process. As such, the industry continues to attract and retain top-tier artists to facilitate continued growth in visual effects.”*

*“Investments by our Studio partners have resulted in significant investments in infrastructure. In the past few years, we have worked alongside CBS in securing the funding to invest in the buildout of a 260,000 square foot production studio, alongside a substantial investment in Canada’s largest virtual production wall. This virtual production technology has been at the forefront of elevating the creative possibilities for the Star Trek franchise. There is no doubt that ongoing investments by foreign studios have contributed to the continued growth of the film and television industry in Canada.*

*- John Weber, Take 5 Productions*

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For example, recent advancements in what is referred to as “virtual production” have emerged and made their way to Canada. Virtual production refers to the use of large facilities equipped with sound stages surrounded by an LED wall to simulate non-local or fictional locations. By reducing the need to shoot on location, they reduce travel (and related GHG emissions) and costs, but the upfront capital investment is large. During his interview, John Weber indicated that investments from global studios have in certain cases made the difference in the realisation of such investments.

After a period of initial development, there has been an acceleration in the construction of virtual production facilities across Canada by both foreign and domestic industry leaders, and they can now be found in Vancouver,

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<sup>51</sup> As mentioned by John Weber, of Take 5 Productions, in an interview with KPMG on September 27, 2023.

Toronto and Montreal. For example, Québecor’s subsidiary MELS built its own virtual production facility in Montreal to offer a competitive solution for international projects, while also serving the domestic industry, and has notably already produced or been engaged on several high impact projects.<sup>52</sup> Similarly, Bell Canada and Investissement Québec have invested in Montreal’s Grandé Studios, which also has a virtual production sound stage and has similarly enjoyed success in high profile projects.<sup>53</sup>

**Table 8: List of Canadian virtual production/special effects facilities and examples of recent productions**

Studio	Location	Examples (blue = Canadian production)
MELS	Montreal, Quebec	<i>Transformers 7</i> <i>Arlette !</i> <i>Les Trois Accords : Live dans le plaisir</i> <i>Via Mare</i> <i>Five Roses</i>
Pixomondo (Sony)	Toronto, Ontario Vancouver, British Columbia Montreal, Quebec	<i>Star Trek: Discovery</i> <i>House of the Dragon</i>
Grandé Studios	Montreal, Quebec	<i>Moonfall</i> <i>X-Men: Dark Phoenix</i> <i>The Song of Names</i> <i>Génial !</i>
Industrial Light & Magic StageCraft	Vancouver, British Columbia	<i>Percy Jackson and the Olympians</i>
DNEG	Montreal, Quebec Toronto, Ontario, Vancouver, British Columbia	<i>Dune: Part One, Dune: Part Two</i> <i>Blade Runner 2049</i> <i>Scott Pilgrim vs. The World</i> <i>The Shepherd</i> <i>No Way Up</i>

Sources: Websites of MELS, Grandé Productions, DNEG, Pixomondo, and Industrial Light & Magic

Heightened interest in virtual production presents an opportunity for the Canadian economy, notably through spillover effects. First, they sustain well-paid jobs in the information technology sector. Second, whereas many such facilities are being developed specifically with the goal of attracting FLS productions, they are also used to develop video games, another key driver of economic growth in certain Canadian cities, notably Montreal and Vancouver. Third, having originally been built to serve global studios and streamers, these state-of-the-art facilities are now being used by Canadian productions, increasing their quality and sophistication years before the domestic market alone could have justified building that type of technological capacity.

Moreover, these new technologies require specialised skills. Studios, both domestic and global, have thus been investing to develop the VFX and virtual production segment of the workforce. For instance, Technicolor and DNEG both provide entry level training programs for their VFX businesses, and Sony, owner of Pixomondo, has recently partnered with Seneca Polytechnic through its Virtual Production Academy program to offer training to

<sup>52</sup> Journal de Montréal, “Le futur des tournages”, October 13, 2020. [\[Link\]](#)

<sup>53</sup> La Presse, “Grandé Studios voit grand”, May 21, 2021. [\[Link\]](#)

industry members in virtual production techniques.<sup>54</sup> Provinces have made their own investment to upskill workers to meet industry demands, such as British Columbia’s “StrongerBC Skills Grant”, which are directly applied to industry training programs like DigiBC’s micro-credential initiative,<sup>55</sup> and Quebec’s partnership with its Film and Television Council and Synthèse,<sup>56</sup> as well as subsidised learning programs provided through the NAD-UQAC professional training program.<sup>57</sup>

### 4.7.3 Targeted investments and partnerships

When Netflix set up its Canadian subsidiary in 2017, it made commitments under the *Investment Canada Act*,<sup>58</sup> including to fund original productions in Canada to be distributed across Netflix’s global platform and to develop the next generation of creators.<sup>59</sup> The latter included pitch days, recruitment events, and support for local cultural events to ensure that Netflix Canada reaches production communities across the country, including the French-language community in Quebec.<sup>60</sup> Despite the end of its statutory commitment, Netflix has maintained its investment programs.<sup>61</sup>

Similarly, following the acquisition by AT&T of Time Warner, the parent company of Warner Bros. Entertainment Canada, a commitment was made to support different pathways for individuals from traditionally underrepresented groups to access above-the-line and below-the-line work in the film, television and streaming industry, including by launching a Canadian version of their Access to Action program.<sup>62</sup>

**Table 9: MPA member commitments pursuant to the *Investment Canada Act***

Studio	Engagement
Netflix <sup>1,2</sup>	Program categories: Investment in Canadian productions (English and French) Investment in Canadian talent development  Specific initiatives (non-exhaustive): ImagineNATIVE below-the-line mentorship program Women in Animation Vancouver’s ACE program Advancing Voices program
Warner Bros. Discovery <sup>3</sup>	Program categories: <b>Above-the-line:</b> <ol style="list-style-type: none"> <li>1. Writers’ Program: Mock-development for mid-tier writers (Academy of Canadian Cinema &amp; Television partnership)</li> <li>2. Directors’ Program: Roster of directors subsidised on any series in Canada (Academy of Canadian Cinema &amp; Television partnership)</li> </ol> <b>Below-the-line:</b> <ol style="list-style-type: none"> <li>3. Access to Action (BTL placement program): Entry level, department head training</li> </ol> <b>Back Half investments:</b>

<sup>54</sup> Seneca Polytechnic, “Pixomondo and Seneca to provide state-of-the-art training in virtual production”, April 20, 2023. [\[Link\]](#)

<sup>55</sup> DigiBC, “Creative Technology Micro-Credential Programs”, [\[Link\]](#)

<sup>56</sup> BCTQ, “Visual Effects and Animation”, [\[Link\]](#)

<sup>57</sup> École des arts numériques, de l’animation et du design, “Formations Professionnelles”. [\[Link\]](#)

<sup>58</sup> Pursuant to the *Investment Canada Act*, FDI and acquisitions in the cultural sector worth \$5 million or more are subject to review and approval by the Government of Canada. Proponents must demonstrate that their investment brings a net benefit to Canada and often commits to specific measures to meet that test. See: Government of Canada, “Thresholds for Review”, September 29, 2023. [\[Link\]](#)

<sup>59</sup> Canadian Heritage, “Launch of Netflix Canada: a recognition of Canada’s creative talent and its strong track record in creating films and television”, September 28, 2017. [\[Link\]](#)

<sup>60</sup> Netflix Canada, “Industry Partnerships to develop the next generation of Canadian creators”, November 2023.

<sup>61</sup> According to Stéphane Cardin, of Netflix Canada, in interview with KPMG on October 5, 2023.

<sup>62</sup> WarnerMedia, “WarnerMedia’s Thriving Access to Action Program Expands to Canada”, July 20, 2021. [\[Link\]](#). Some of the initiatives mentioned in this media release are detailed in Section 4.6 of the report.

Studio	Engagement
	4. Vocational training funding 5. Film festival diversity initiative 6. Special projects diversity initiative <b>Other:</b> 7. Charitable donations

Sources: 1. Internal document – Netflix Canada, “Industry Partnerships to develop the next generation of Canadian creators”, November 2023. 2. Netflix Canada, “Alumni Lookback: Netflix Marks 1,000 Training Program Graduates in Canada with \$25,000 Indigenous Filmmaker Grant”, October 10, 2023. [Link](#). 3. Women in Animation Vancouver, “ACE Program – About”, [Link](#). 4. The Globe and Mail “Netflix launches development program for diverse Canadian writers”, June 16, 2022, [Link](#). 3. According to Melanie Nepinak Hadley, of Warner Bros. Discovery Access Canada in interview with KPMG on October 10, 2023. See also: Warner Bros. Discovery Access, “Access to Action Canada”. [Link](#), and “Programs” [Link](#)

Film festivals offer an opportunity to Canadian creatives to meet with studios, while studios also use them to establish their presence in a market. Tom Hastings thus explained Paramount’s decision to release their development slate at Banff Film Festival as a means of drawing attention to their recent establishment in Canada and proactively communicating the company’s interest in Canadian stories.<sup>63</sup> Netflix and Warner Bros. Discovery both sponsor several film festivals across regions, genres, and communities.

**Table 10: Film festival partnerships of select global studios (non-exhaustive)**

Studio	Festivals
Netflix <sup>1</sup>	Inside Out Banff World Media Festival (Diversity of Voices Initiative) Whistler Film Festival Festival du nouveau cinéma ImagineNATIVE Film + Media Arts Festival Hot Docs Canadian International Documentary Festival RIDM: Montréal International Documentary Festival
Warner Bros. Discovery <sup>2</sup>	Available Light Film Festival Yellowknife International Film Festival Calgary International Film Festival Ottawa International Film Festival St. John’s Women’s Film Festival Reel Asian Film Festival Toronto International Film Festival Vancouver Asian Film Festival Reelworld Film Festival+Summit

Sources: 1. . Internal document – Netflix Canada, “Industry Partnerships to develop the next generation of Canadian creators”, November 2023. 2. Warner Bros. Discovery Access, “Partnerships”. [Link](#)

A majority of the non-production initiatives of Netflix and Warner Bros. Discovery in Canada are aimed, at least in part, at the Indigenous, Black, POC, Francophone or 2SLGBTQ+ communities, whether at the talent development or production stage.

<sup>63</sup> Interview of Tom Hastings, of Paramount+ Canada, on October 6, 2023.

It has been observed that given their size, international reach, and access to a larger pool of capital, global studios and streamers have been more inclined to take risks on emerging talent. Melanie Nepinak Hadley, herself an Ojibway woman, related to KPMG her experience when working with CBC, how oftentimes mid-tier creatives and

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*“I saw firsthand that some decisions were being made because you were evaluating risk. You were evaluating, is this person going to make their day are they going to be on budget, are they going to be able to get in and get out and just be part of this machine that is already working. I saw this gap as where if they hadn’t been part of this machine, they don’t get the relevant opportunities.”*

*- Melanie Nepinak Hadley, Warner Bros. Discovery Access Canada*

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directors would not be considered for contracts due to the perceived risk involved. Her experience at Warner Bros. Discovery has been different, in that she was able to explore new avenues to sponsor lesser known, more diverse creatives for projects, sometimes through alternative financing models. She mentioned as an example the Directors’ Program that provides subsidies to any producer that will have recourse to a less experienced director from an underrepresented community in order to cover the associated production risk. The program achieved 6 director placements in its first year.

Global studios and streamers operating in Canada have placed emphasis on engaging with Indigenous creators to bring their own stories, as told by them, to the screen. For example, Inuit film and television

writer and producer Stacey Aglok MacDonald took part in Netflix-sponsored Indigenous Screen Office’s Cultural Mentorships program. Coming full circle, her upcoming untitled “Arctic Comedy” will now be co-produced by Netflix, CBC and APTN. Netflix is also funding a documentary project on female First Nations chiefs produced by Jaime Wescoup, which aims to expand the public’s understanding of the history and culture of indigenous people.<sup>64</sup> Warner Bros. Discovery, for its part, recently became a key donor to Telefilm Canada’s Talent to Watch program that directly supports indigenous filmmaking.<sup>65</sup> Netflix has also made recent moves to augment its contributions to indigenous creatives in a \$25K grant to indigenous filmmakers in addition to its existing partnerships and grants.

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<sup>64</sup> The Hollywood Reporter, “Netflix Backs Indigenous Filmmakers as Streamer Hits Milestone in Canadian Content Support”, October 19, 2022. [\[Link\]](#)

<sup>65</sup> Telefilm Canada, “Telefilm Canada and the Talent Fund announce 18 projects funded through the Talent to Watch Program”, September 28, 2023. [\[Link\]](#)

## 5. CONCLUSION

The data reviewed by KPMG and the interviews it conducted for the purposes of this study indicate that the financial and non-financial contribution of global studios and streamers to Canada's audiovisual sector have played a significant role in the development of this sector in the country, as well as benefiting the Canadian economy overall. This was achieved through different vectors such as direct employment, production volumes, and purchase of goods and services from domestic suppliers. Although FLS productions account for a majority of investments from global studios and streamers in Canada, a sizeable portion of their expenditures are allocated to funding Canadian content productions, supporting Canadian creators in telling Canadian stories.

FIIP constitutes a major source of employment in the Canadian film, television and streaming industry. The vast majority of individuals employed in such productions reside in Canada, while in many regions, FIIP supports a significant portion of local employment and production output in the sector, providing further opportunities to industry participants.

Beyond production volumes, testimonials provided to KPMG and projects reviewed for the purposes of this study point to the technical sophistication that the domestic industry has experienced thanks to the horizontal and vertical knowledge transfer brought upon by FIIP. Industry leaders have also noted how FIIP has led to investments in advanced technologies, such as VFX and virtual production facilities, which are positioning Canada for the future of the industry.

Additional benefits from the activities of global studios and streamers in Canada include contributions to developing Canadian talent via training programs. Testimonials from industry participants suggest that such initiatives have contributed to the development of emerging talent and providing new opportunities to members of historically disadvantaged groups.

In sum, global studios and streamers contribute meaningfully to the development and robustness of the Canadian audiovisual sector, while providing the domestic industry and the individuals who work in it a global platform to showcase their talent.

# Annexes

# Annex A - Glossary

Term	Definition
<b>Above-the-line</b>	<p>It refers to the individuals who guide and influence the creative direction, process, and voice of a given narrative in a film or television show, as well as the related expenditures and compensation. These roles include, but are not limited to, the screenwriter, producer, director, and principal cast.</p> <p>The term originates from the early studio days when the budget top-sheet would literally have a line separating the above-the-line and below-the-line costs.</p>
<b>Below-the-line</b>	<p>The remaining production crew (camera operation, sound recording, stage and decors, background acting, art and makeup, costumes, transportation, post-production, etc.). This category encompasses anything regularly involved in producing a film or television show.</p>
<b>Foreign investment in production (FIIP)</b>	<p>Blanket category for all foreign investments in film, television and streaming. It includes FLS and foreign investment in Canadian productions, whether certified as Canadian content or not.</p>
<b>Foreign location and services (FLS)</b>	<p>Productions funded by a non-Canadian entity, where the intellectual property is owned outside the country.</p>
<b>Post-production</b>	<p>The process by which raw footage is assimilated into a final media product, often through heavy editing and implementation of special effects.</p>
<b>Production volume</b>	<p>Production volume, when referring to CMPA data, describes the total sum of a production budget.</p>
<b>VFX</b>	<p>Visual/special effects. This can include anything from light post-processing to heavy uses of 3D animation to simulate certain visual effects or objects in a film.</p>
<b>PSTC/CPTC</b>	<p>Film or Video Production Services Tax Credit/Canadian Film or Video Production Tax Credit</p>
<b>Subscription video on demand (SVOD)</b>	<p>Streaming services which are provided in exchange for a fixed fee from the user. Typically, it does not involve advertisements, or has very minimal advertisements.</p>
<b>Advertisement-based video on demand (AVOD)</b>	<p>Streaming services which do not require a payment to obtain access, but rather supports their business model from advertising revenues, which are interposed in the programming in a fashion similar to traditional broadcast television.</p>
<b>Transactional video on demand (TVOD)</b>	<p>Streaming or downloading services which allow the user to watch a given piece of media via a one-time exchange.</p>
<b>Gross domestic product (GDP)</b>	<p>The total value of finished goods produced within a country during a given time period.</p>
<b>Canadian films and television</b>	<p>All films, television shows and series that are produced by Canadian entities, whether they meet the definition of Canadian content or not.</p>
<b>Broadcaster in-house productions</b>	<p>Any program produced internally by a broadcaster or on-demand service. This content does not necessarily meet the definition of Canadian content as per tax credit eligibility structures.</p>



**Certified Canadian content**

Canadian productions that have been certified by the Canadian Audio-Visual Certification Office to be eligible for tax credit benefits, CRTC Canadian programming and funding by Telefilm and the CMF.

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# Annex B – Interviewed Individuals

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## John Weber – President & CEO – Take 5 Productions

Weber is a founder of Take 5 Productions, having previously worked on several film and television series productions in Canada. He joined Dufferin Gate Productions in 1999, later going on to sell the company in 2007. He has worked as executive producer on a number of high-profile international series such as “The Handmaid’s Tale,” “Vikings” and “Star Trek: Discovery”. Take 5 Productions is one of the leading independent Canadian production firms to engage in co-productions and FLS.

## Christian Lemay – President – IATSE 514 AQTIS

Starting in the production industry as an assistant camera operator, Christian became the director of regional affairs of the AIEST, local 667 in 2006, and served in the role until the AIEST’s fusion with the AQTIS in 2020. He also helped pioneer the fusion of the AQTIS with the IATSE to give Quebec technicians a more centralised and internationally recognized negotiating unit.

## John Lewis – Director of Canadian Affairs – International Alliance of Theatrical Stage Employees (IATSE)

John has a long history with IATSE, joining as the Director of Canadian Affairs in 2002, after serving on the Ontario Labour Relations Board. He is a labour lawyer by trade. The IATSE is the largest North American union representing technicians, artists, and other specialists within the entertainment industry. It has members in both Canada and the United States.

## Stéphane Cardin – Director, Public Policy – Netflix Canada

Stéphane has extensive experience in strategic development of the entertainment industry within Canada. Before joining Netflix Canada, Stéphane was Vice President of the Canada Media Fund for almost a decade, and prior to that Director of Tax Credits at the Société de développement des entreprises culturelles (SODEC), the Quebec government agency that funds movies in the province.

## Tara Woodbury – Director, Content – Netflix Canada

Formerly a Vice President and Head of Development at Sphere Media, with other production experience at Bell Media and NBCU, Tara has been involved with both production and content cultivation in the Canadian film, television and streaming industry. She is recognized for several productions, chief among them “Night Raiders”, a critically acclaimed Canadian film.

## Tom Hastings – Head of Originals – Paramount+ Canada

Tom Hastings has spent nearly 22 years in the media industry in Canada, having previously served as the Director of Original Programming at Bell Media, and the Head of Drama, TV Arts & Entertainment at the Canadian Broadcasting Corporation (CBC). He has extensive experience in program development and production and has supervised the selection of media slates for Paramount+.

## Susan Makela – Senior Director, Acquisitions, Rights and Inventory – Paramount+

Susan has been in the Canadian media industry, especially in domestic broadcasting, for over 24 years. Among her work experience, she served as Director of Network Content and Director of Program Funds & Policy at Corus Entertainment, and as Director of Strategic Planning for Independent and Original productions at Bell Media.

## Melanie Nepinak Hadley – Senior Director, Equity and Inclusion – Warner Bros. Discovery Access Canada

Melanie has occupied several roles within the Canadian media industry, in which she was tasked with overseeing development and production of original Canadian media productions, as well as making key decisions around the funding of original Canadian series. She has been Manager of Programming at the Aboriginal Peoples Television

Network (APTN), and a Production Executive at the Canadian Broadcasting Corporation (CBC). She now dedicates her professional life to advancing diversity within the Canadian media industry through Warner Bros. Discovery Access Canada.



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