

**WE** CHOOSE  
CANADIAN  
STORIES **E**

# NETFLIX

## EXEMPT FROM ALL THE RULES

### CONTEXT

**Netflix is Canada's biggest broadcaster. 57% of households with an internet connection subscribe.<sup>1</sup>**

**But unlike licensed Canadian broadcasters, Netflix has no obligation to create or present Canadian programs.**

**NETFLIX BRIEFING NOTE**

Authorized by the



**Friends of Canadian  
Broadcasting**

<sup>1</sup> <https://business.financialpost.com/telecom/media/netflix-doing-booming-business-in-canada-industry-research-reports-suggest>

## THE RULES

Licensed Canadian broadcasters like CTV and Global must contribute between 5% and 30% of their revenues to the production of Canadian programs.

### **Netflix is exempt from these rules.**

Netflix is also exempt from Canadian tax law. It earns nearly a billion dollars per year in Canada, but doesn't pay a dime in corporate taxes here. And let's not forget that Netflix is also exempt

from collecting federal and provincial sales taxes, except in the provinces of Quebec and Saskatchewan, where provincial governments have insisted on equal treatment for all broadcasters.

### **Special treatment for Netflix comes at Canada's expense. It needs to stop.**

## WHY IS NETFLIX EXEMPT?

### **Remember how the early internet was full of cute animations with animals like this one?**



These posed a big problem for Canada's broadcast regulator, the CRTC. Technically, these little GIFs are "broadcasting", and the law says that you need a licence to broadcast in Canada. Of course, it would be ridiculous for the CRTC to require every small-time blogger to get a licence. So, in 1998, they created what is now known as the Digital Media Exemption Order (DMEO). This lets anyone post content online, even if it's technically broadcasting, without a licence. Problem solved.

### **Well, not exactly.**

The DMEO hasn't been updated in 20 years, meaning full-blown internet broadcasters like YouTube, Spotify, Netflix, and Amazon are still exempt from Canadian content requirements: **they take billions out of Canada but have no legal obligation to finance Canadian content.**

# MÉLANIE JOLY'S NETFLIX DEAL

In September of 2017, then Minister of Canadian Heritage, Mélanie Joly, announced the now infamous "Netflix deal". The headline was that Netflix would finance Canadian productions to the tune of \$100 million per year for five years.

## **So what's the catch?**

### **Actually, there are plenty:**

**1. THE DEAL APPARENTLY DEFINES "CANADIAN CONTENT" AS ANYTHING FILMED IN CANADA. EVEN IF THE DIRECTOR, WRITER, PRODUCER, ACTORS, AND STORY ARE ALL AMERICAN, IT WOULD COUNT AS CANADIAN CONTENT UNDER JOLY'S DEAL. THAT'S NOT CANCON. IT'S JUST A CON.**

**2. OTTAWA HAS ADMITTED THAT THERE IS NO REQUIREMENT THAT ANY OF THIS MONEY BE SPENT ON FRANCOPHONE OR INDIGENOUS CONTENT.**

**3. THE ANNOUNCEMENT SAYS "\$100 MILLION", NOT "\$100 MILLION MORE". NETFLIX SPENDS MORE THAN \$8 BILLION PER YEAR ON ORIGINAL CONTENT, AND THEY HAD ALREADY PLANNED TO SPEND AT LEAST A HUNDRED MILLION OF THAT IN CANADA. IN OTHER WORDS, THERE'S NO NEW MONEY HERE.**

**4. WE DON'T KNOW WHAT NETFLIX IS GETTING IN RETURN. THE DEAL FALLS UNDER THE INVESTMENT CANADA ACT, WHICH MEANS IT'S A CABINET SECRET. THE GOVERNMENT SAYS THERE IS NO QUID PRO QUO IN THE DEAL, BUT THEY WON'T SHOW US THE DOCUMENTS TO PROVE IT. WOULD A SAVVY COMPANY LIKE NETFLIX OFFER TO SPEND \$500 MILLION WITHOUT GETTING ANYTHING IN RETURN? MAYBE, BUT IT'S UNLIKELY.**

## WHAT'S WRONG WITH THIS PICTURE?

### **NETFLIX OFFERS A GOOD SERVICE. THERE'S A GOOD CHANCE YOU ARE A SUBSCRIBER.**

#### **The problem is that Ottawa allows Netflix to play by its own rules.**

The special advantages Ottawa bestows on this internet giant give Netflix a leg up on Canadian media. This helps Netflix beam foreign shows onto our screens while shoving aside our own stories.

Canada's truth is nowhere to be seen.

#### **We need to know and experience our own stories.**

If we don't, we will fall into someone else's.

## WHAT DO WE WANT?

### **WE'RE NOT ASKING FOR NETFLIX TO BE BANNED.**

We don't want to single them out with a special "Netflix tax". **We just want the government to subject Netflix to the same rules as everybody else.** They should collect sales taxes and finance excellent Canadian content. Canadians shouldn't have to choose between watching Netflix or engaging with our own culture.

The European Union and other countries are forcing Netflix to produce domestic programs

and make those shows easy to find. Canada should too.

#### **It's time to end Canada's unfair, special treatment for Netflix and other internet broadcasters.**

## LINKS

### MORE INFO:

<https://friends.ca/explore/article/canadas-netflix-problem/>

### TAKE ACTION:

<https://friends.ca/campaigns/demand-that-netflix-pay-its-fair-share/>

