

# Intelligence MEMOS



From: Lawson Hunter  
To: The Hon. Melanie Joly, Minister of Canadian Heritage  
Date: August 16, 2016  
Re: TIME TO DECIDE IF CULTURAL POLICY IS TO PROMOTE WINNERS OR PROTECT THE LOSERS

---

As you move forward with the detailed consultations on the Cultural Policy Review the key issue is whether your government plans to promote “industrial policy” as opposed to “cultural policy”.

You said that everything will be on the table including legislative changes involving the *Broadcasting Act*, the role of the CRTC and CBC, etc. You’ve also stated that part of the exercise was to see how Canada can be more internationally competitive, a refreshing stance from the Government and for this industry.

“Canadian content” policy has always been an exercise in subsidizing the Canadian creative community. This was based on the assumption that subsidies were necessary in order to create the “Canadian voice” next to the world-leading producer of content. As a result, Canada created a plethora of programs to provide subsidies to the Canadian content industry. Some programs are direct subsidies. Some are through the tax system. And some of them are indirect subsidies, largely derived from the CRTC regulation of the broadcasting sector. No one, to my knowledge, has ever fully estimated the total subsidy. The review should calculate how much subsidy the sector gets.

The government must decide whether the purpose of cultural policy in the future is to promote winners, which would be the industrial policy approach, or to protect losers, which would be the cultural policy approach.

The instruments the government would use will vary significantly depending on the objectives. The regulatory, indirect subsidy route would seem quite inappropriate if the fundamental policy objective is an industrial policy. Direct subsidy programs often have criteria for providing subsidies which go more to commerciality, likelihood of repayment, soundness of the business approach, etc. On the other hand, the regulatory approach tends to treat all private sector participants in the industry on a more level playing field.

If the government takes the industrial policy approach, it will require fundamental change to the *Broadcasting Act* and the role of the CRTC. In particular, the objectives on the *Broadcasting Act* would need to be fundamentally altered. In fact, if the objectives in the *Broadcasting Act* were fundamentally altered and removed from the purview of the CRTC, its role in broadcasting and telecommunications could become much more similar. This would support the conclusion in a recent [C.D. Howe Institute paper arguing](#) that there should be an effort to bring about convergence between the *Broadcasting Act* and the *Telecommunications Act*. The great discrepancy in objectives under the two *Acts* has always been a major impediment to legislative convergence.

In summary, your government has an opportunity to fundamentally rethink its role in the cultural industries. If subsidies are necessary for this sector, then the approach to those subsidies needs to be fundamentally rethought. The review presents us an opportunity as a country to assess whether we can truly stand on our own internationally in promoting Canada and Canadian stories. You must decide whether the main government objective for the sector is either industrial policy or cultural policy.

*Lawson Hunter is a Senior Fellow at the C.D. Howe Institute and co-authored the C.D. Howe Institute study Scrambled Signals: Canadian Content Policies in a World of Technological Abundance in 2010*