

Briefing Document

Prepared for Standing Committee on Health – HESA Related to Bill S-228

Prepared by the Sport Matters Group

On behalf of the Canadian Sport, Physical Activity and Recreation sector

(Athletes, Associations, Events, Clubs, Teams, etc.)

With specific input from:

Sport Matters Group

Hockey Canada

Canada Soccer

Canadian Olympic Committee

Swimming Canada

AthletesCAN

Canada Games Council

TTG Canada (Leading Sponsorship Agency)

Manifesto Sport Management (Leading Athlete Representation Agency)

Executive Summary

The Sport Matters Group is a coalition of over 80 sport, physical activity and recreation organizations who together promote values-based sport at all levels of the Canadian sport system. The following Brief represents the interests and shared opinion of grassroots, amateur, Olympic and Paralympic sport organizations across Canada.

As a sector, we welcome the federal government's efforts to improve the health of our children and youth by protecting them from unreasonable marketing tactics that promote unhealthy foods. We welcome the opportunity to distribute and amplify the important message carried by Bill S-228 across the Canadian Sport Community while augmenting it with the complimentary message of the benefits of an active lifestyle. But while we fully support any government effort to help young Canadians make better nutrition choices, there will be serious repercussions if the new legislation as currently constructed wrongly prevents the related companies and sponsorship categories from investing in sport programming for children and youth.

Sponsorship creates real opportunities for kids of all ages and backgrounds to get involved and provides the foundation so that they can access sport. Sponsorship promotes and celebrates participation and excellence in sport. It helps to advance key principles of the Canadian Sport Policy by enabling sport activities to be more available and more inclusive. It encourages collaboration between sport organizations, governments and the private sector – with a shared goal of improving the health of our young people.

In its currently drafted form, Bill S-228 will likely prevent, dissuade or diminish the likelihood of partnerships in this sector for sport organizations in Canada. This would significantly shrink the available sponsorship market and prevent partnerships with brands that currently have some of the most established track records of investing in sport, physical activity and recreation. Lack of sponsorship will result in increased costs, and fewer children and youth will be able to access sport programs that are ultimately intended to help combat obesity.

We are asking this Committee to consider exempting sport sponsorship not only at the community-level, but also those critical partnerships at the provincial and national level where sport organizations receive significant support that has a direct impact on the preparation of our Olympic and Paralympic heroes.

Our Key Recommendations/Areas of Concern include:

S 2. We recommend that this definition of children should be lowered to 'under 13 years of age' to parallel the Quebec legislation Bill S-228 was intended to emulate.

S 5. (i) The definition of 'unhealthy food' needs to be addressed

S 5. (ii) INSERT without unreasonably limiting access by an audience other than children to that advertisement;

S 6. We strongly recommend that this Act come into force on a day no earlier than December 31, 2024, to allow a more realistic period for transition to a sustainable solution for the future financial viability of sport.

Who We Are

As leaders in the Canadian sport community, the Sport Matters Group, is a coalition of over 80 sport, physical activity and recreation organizations. The Sport Matters Group promotes values-based sport at all levels of the Canadian sport system to help build character in our children, strengthen our communities and increase our chances for excellence on the world stage. Through dialogue, solicitation of feedback and aligned interests and stakeholders, we are confident that in submitting this brief we are faithfully representing the interests and shared opinion of grassroots, amateur, Olympic and Paralympic sport across Canada.

This unified voice is significant as the potential impact of Bill S-228, as currently proposed, will have real, tangible and concerning consequences for the sport community across Canada. And it will do so at all levels of sport, from Olympic and Paralympic team sponsorship that supports our nation's sporting heroes in their quest for excellence as role models all the way through to the ability for grassroots tournaments to provide snacks to their participants and meals to their volunteers and officials, and inclusive of all tiers in between.

The success of our Olympic, Paralympic and high-performance athletes inspires youth athletes and parents who in turn generate the talent pool that ultimately creates the next round of high-performance athletes. And similarly, consumer interest, broadcast viability, sponsor interest and various levels of revenue potential are raised by success throughout the vertical integration of any given sport. In view of this inter-reliance, the potential negative impacts of Bill S-228 with respect to the financial and commercial viability of the organizations and tiers at any level of sport in Canada is materially impactful to all the tiers. In short, it very much constitutes a collective concern.

We Are Aligned with the Goals of Bill S-228

We fully support the goals of the new legislation and applaud the leadership of Senator Nancy Greene-Raine, one of Canada's greatest Olympians, who is spearheading this campaign. We share the Senator's desire to see a steady decline in the number of overweight and obese young people in Canada through a combination of better nutrition choices and greater involvement in physical activity and sport.

Sport is widely recognized as a powerful way for people of all ages to improve their health and overall well-being. For children and youth sport plays a vital role in their growth and development.

As sport, physical activity and recreation organizations, one of the ways that we're able to get more Canadian children and youth involved in sport is through partnerships with like-minded companies. Through a range of customized programs – like sports leagues and camps – we're able to engage thousands and thousands of kids who might not otherwise have had the opportunity to be active.

Unlike advertising, these sponsorship programs – like Timbits Soccer and Hockey – contribute in direct and obvious ways to the health of the children and youth who participate. Sponsorship creates real opportunities for kids of all ages and backgrounds to get involved in sport. Sponsorship promotes and celebrates participation and excellence in sport. It helps to advance key principles of the Canadian Sport Policy by enabling sport activities to be more available and more inclusive. It encourages collaboration between sport organizations, governments and the private sector – with a shared goal of improving the health of our young people.

Such programs also provide unparalleled opportunities for nutritional learning and coaching whereby the benefits of eating and hydrating appropriately are made immediately evident on the field of play. Furthermore, such learning and coaching can be amplified by coaches and teammates who are significant sources of influence over the decisions and behaviors of youth.

As a result, Sport in Canada is substantially aligned with the desired outcomes of Bill S-228 and represents a critical ally and catalyst to mitigating and decreasing childhood obesity and its various societal consequences in Canada.

How Bill S-228 Impacts Us

Sport in Canada is significantly reliant on sponsorship. Without private sector funding of sport organizations, events and athletes through sponsorship and other forms of marketing partnerships in Canada, substantial portions of the system would lose commercial and financial viability.

Approximately \$1.98B is spent on sponsorship in Canada. Together, professional and amateur sport, account for 53% of the sponsorship industry¹. Partners such as Tim Hortons, McDonalds, Coca Cola, General Mills, Subway, Kraft, Booster Juice, Boston Pizza, The Keg, Panago, Gatorade, Cliff Bar, Power Bar, Pepsi, Danone, Pinty's, Kozy Shack, Starbucks, Nestle, Wrigley's, to name a few, play a significant role in sport sponsorship. And should the food and beverage category be prevented or dissuaded from ongoing investment in Canadian Sport it would substantially diminish the market size and available funding options.

The funds and resources derived from sponsorships with corporations such as those named above are hugely important to Canadian Sport for a variety of reasons and following are some highlighted ones to provide context:

- Sport organizations drive revenue through the sale of associative rights and in that context generate sponsorship rights fees which contribute directly to their bottom line;
- Sport organizations negotiate value-in-kind investments wherein contribution of wares is reciprocated by marketing benefits, helping them enjoy budget off-setting through the provision of discounted or free of charge food and beverage (i.e.: saving athlete meal budgets, feeding volunteers, isotonic beverages for teams, etc.);
- Sport organizations generate fundraising revenue through the sale of food and beverage items to their stakeholders and community via partnerships with companies in the sector anticipated to be impacted by Bill S-228;
- Sport organizations generate food and beverage sales revenue and/or royalties at events and through other proprietary channels as part of partnerships with companies in the sector anticipated to be impacted by Bill S-228.

In its currently drafted form, it would appear that Bill S-228 might prevent, dissuade or diminish the likelihood of partnerships in this sector for sport organizations in Canada. This would significantly shrink the available sponsorship market. It would also materially impact and diminish several of the most active categories and prevent partnerships with brands that currently have some of the most established track records of investing in sport.

¹ Canadian Sponsorship Landscape Study: <http://www.sponsorshiplandscape.ca>

To further contextualize the potential impact of Bill S-228 on the Canadian Sport system, it should be added that the sponsorship sales process is becoming increasingly challenging for amateur and grass roots sport in Canada. Decisions to sponsor are taking longer than ever before and they are being scrutinized on criteria against which amateur and grass roots sport typically do not perform as well against (as compared to alternative sponsorship properties that boast significant broadcast, reach, syndication, attendance, etc.). In view of these already challenging circumstances, we would submit that the potential material impact of Bill S-228 as currently drafted is further compounded by these circumstances.

The Scale of Impact

While Bill S-228 is drafted with the intent to place limitations on advertising to children, it might be noted that the sport system in Canada is mandated and built to service a broader audience than just children. That said, the organizations within the Canadian sport sector inevitably simultaneously service all demographics. Because of this it is nearly impossible to effectively and cleanly delineate between communications, outreach and activities intended for children and those intended for Canadian sport's broader user base. In fact, often such initiatives are intentionally broad-based (websites, newsletters, facilities, curriculums, standards of play, etc.). When coupled with certain aforementioned areas of ambiguity in Bill S-228 as currently drafted, this reality creates even more compounded concern that legislation intended to singularly impact communication with children will in fact, for Canadian sport, cast a substantial halo across activities and initiatives well beyond the intended mandate and impact of the Bill. Further evidence of the anticipated impact is illustrated by the scale of community potentially negatively affected by resultantly decreased resources and revenues for the related sport organizations. Following are some illustrative examples:

- Canada Soccer affiliates from across Canada estimate that many millions of dollars of investment in programming at the provincial and local level would be lost impacting approximately 470,000 children because of Bill S-228 in its current form. Additionally, Canada Soccer estimates that a third of their sponsorship revenue would be in jeopardy from existing partners and that number would likely go higher in the future.
- Hockey Canada, who estimates approximately 475,000 youth participants in registered programs, projects a monetary impact on the grassroots hockey community of multi-millions of dollars. This includes national youth development programs under Hockey Canada management, direct investment with Hockey Canada Branches (regional governing bodies) and impact at the local Minor Hockey Association and individual team levels. This does not include full value of national youth development programs outside of Hockey Canada such as Timbits Hockey, which is managed directly by Tim Hortons. Any reduction in sponsorship revenue will have an impact at all levels of youth hockey, reducing program delivery and accessibility and increasing costs to participate.
- Swimming Canada, who estimates approximately 85,000 registered members and 2.8M swimmers who participate in registered swimming programs, is projecting a loss of 10% of existing sponsorship revenue. When they look at the amount of projected future revenue lost, it is believed that the organization would lose another 5% of their total budget and 25% of sponsorship revenues, which would have a significant impact on programming.

- Based on the 2014 Status of the Athlete Survey managed by Sport Canada, carded athletes in Canada reported an average annual income of \$25,616. On average endorsements and sponsorships contribute up to 19% of that annual income. Diminishing their ability to garner sponsorship revenues would risk bringing such athletes' potential annual income into the range of the poverty line of \$22,000 (as defined by the 2017 census) for a single person.
- At the recent 2018 PyeongChang Olympic Games, athletes supported by sponsors likely to be impacted directly by Bill S-228 won 38% of Canada's medals. Meanwhile 20% of the medals were won by athletes who were sponsored by beverage companies specifically. It should be further noted that sponsors within this community commonly self-police with respect to responsible advertising. For example, Red Bull stipulates that when Olympic bronze medalist Mark McMorris does an official event where children are involved or present, that he is not to wear his Red Bull gear.

Examples of the Food & Beverage Sector making a Positive Impact

Illustrative examples of Sport Organizations that benefit from the Food and Beverage category:

Hockey Canada

- McDonald's sponsors more than **53,000 children playing hockey a year**.
 - The Atom C program: McDonald's sponsors all the house league teams in the Atom C hockey division across the country (excluding Quebec where they have Equipe McDo) for boys, girls and co-ed teams. McDonald's goes beyond financial funding and provides teams with a full set of game jerseys and socks, coaching material and prize jerseys.
- Other Hockey Canada sponsors contributing to the availability of community programs across Canada include: Pepsi, Gatorade, Boston Pizza, Lays, General Mills, Wrigley

Canada Soccer

- The Active Start Soccer Fest are national soccer festivals that encourage grassroots participation and skill to 100,000 participants annually in the country. Active Start Soccer Festival sponsors support has resulted in over \$1M being provided directly to the host clubs.

Athletics Canada

- Hershey sponsors the national championships at the highest amateur level and they have sponsored the Run, Jump, Throw Wheel program – it is a fundamental skills initiative for children

Illustrative examples of Food and Beverage Companies making an impact through sport sponsorship:

Tim Hortons

- Timbits Minor Sports Program
 - Minor league house sponsorship program for children age 4 to 9
 - Sponsors more than **300,000 kids a year** in Canada in hockey, soccer, baseball, softball, ringette and lacrosse
 - Timbits teams attend and showcase skills at NHL, MLS and CHL games
- Tim Hortons Camp Day
 - **20,000 kids** from low income families are given a chance to go to camp
 - Raised \$13.7 million in one day from all coffee sales in the country
- Tim Hortons Free Swim

- Tim Hortons restaurants are sponsoring free swim days at pools across the country in March
- Tim Hortons Free Skate
 - Offering free skate opportunities for kids across Canada

Kraft Hockeyville

- In many small towns across Canada municipal resources are challenged to keep their hockey facilities in reasonable condition.
- For 11 years, Kraft has been holding the Hockeyville contest that delivers community investment to use on facility upgrades to the local hockey rink for one lucky town in Canada
 - They've contributed over **\$3.8 million to 88 communities across Canada**
- For example, in 2018, they donated \$250,000 to upgrade the hockey facilities in Lucan, Ontario and are also hosting an NHL pre-season game

What We Are Recommending with Respect to Bill S-228

As currently drafted, Bill S-228 presents some significant concerns that we strongly recommend be addressed before being passed. These areas individually and collectively represent very material challenges to the Canadian sport, physical activity and recreation sector due to the negative impact they would have on future potential to generate revenue and strategic partnerships within the Food and Beverage categories. And this is significant because of the already existing funding challenges being experienced across the sector in Canada, the established precedent of the Food and Beverage categories being some of the most active in supporting and investing in sport, and the variety of partnership styles and corresponding potential revenue streams made uniquely possible by these categories.

Our recommendations are as follows:

- S 2. Children means persons who are under 17 years of age;
 - We strongly recommend that this definition should be lowered to 'under 13 years of age' to parallel the Quebec legislation Bill S-228 was intended to emulate.
- S 5. (i) Defining unhealthy food or setting out the criteria for determining whether a food is unhealthy,
 - The ambiguity in how, when and by who the definition of 'unhealthy food' will be set creates substantial uncertainty. This leaves the door open for a substantial period of market uncertainty that will in turn put a chill on potential partnerships in a wider category than intended or necessary until such definition is clearly and widely understood.
- S 5. (ii) Setting out the factors to be considered in determining whether unhealthy food is advertised in a manner that is primarily directed at children, including how, when and where an advertisement is communicated without unreasonably limiting access by an audience other than children to that advertisement;
 - The ambiguity in how, when and who will determine whether something is deemed to be advertised in a manner that is primarily directed at children creates substantial uncertainty. This leaves the door open for a substantial period of market uncertainty that will in turn cool potential partnerships until such definition is clearly and widely understood. Furthermore, this area of ambiguity risks preventing a wider variety of potential partnership styles and corresponding revenue opportunities (sponsorship, licensing, royalties, fundraising, concession sales, value in kind contributions, etc.) than originally intended or necessary until such time as the breadth of intended limitations are clearly and widely understood.

- In the process of parliamentary discussion around this proposed legislation it has been suggested that the intended outcome is not to discontinue programs such as Timbits Hockey. Furthermore, the Quebec legislation that Bill S-228 was originally intended to emulate is limited to restricting advertising and does not contain bans on testimonials and endorsements, bans on sales promotions, or bans on sales. All of these are currently possible restrictions in Bill S-228. The aggregate result of this more expansive impact would create a system that is far more restrictive despite the original objective of introducing a model like Quebec's. We would like to suggest therefore, that the definitions of 'advertised' and 'advertisement' be explicitly limited and clearly described to not apply to athlete and coach endorsements, provincial and national team sponsorship, licensing and royalties-based partnerships and fundraising initiatives. In so doing the potential negative impact of Bill S-228 on the Canadian sport community would be substantially mitigated.

- S6. This Act comes into force on the second anniversary of the day on which it receives royal ascent.

- We strongly recommend that this Act come into force on a day no earlier than December 31, 2024, to be fixed by order of the Governor in Council. From a Sport sector perspective, this timing would allow status quo partnerships and relative market stability to continue through two more Olympic and Paralympic Games cycles. This is significant as the Olympic and Paralympic Games cycles significantly influence the sport calendar and partnership cycles in Canada. Additionally, we would recommend that any future review evolutions to the legislation be similarly sensitive to the Olympic and Paralympic Games cycles. Assuming however Bill S-228 ultimately manifests itself, it will effect change in the sport sponsorship marketplace in Canada and as such this approach to timing and review horizons would allow time for the amateur and high-performance sport sector to adapt to the correspondingly impacted commercial circumstances.

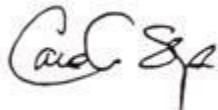
Why We are Asking for Revision of Bill S-228 as Currently Drafted

First and foremost, Bill S-228 as currently drafted will mean a substantial drop in private sector contributions to sport at every level, from grassroots to high performance. This will in turn mean cutting off sport programs to thousands of children and youth right across the country and substantially marginalize the financial sustainability of the Canadian sport system. This is obviously an unintended and opposite effect from what the legislation is intended to do, but a very real consideration. If the goal is to develop healthier kids, then the government should be working to encourage *more* private sector sponsorship of sport in Canada, not *less*.

We welcome the federal government's efforts to improve the health of our children and youth by protecting them from marketing tactics that promote unhealthy foods. In fact, we would welcome the opportunity to distribute and amplify the important message carried by Bill S-228 across the Canadian Sport Community while augmenting it with the complimentary message of the benefits of an active lifestyle.

But while we fully support any government effort to help young Canadians make better nutrition choices, there will be serious repercussions if the new legislation prevents the related companies and sponsorship categories from investing in sport programming for children and youth. We welcome the opportunity to work with officials to consider options that support the federal government's efforts but limits the negative impact of losing private sector supporters.

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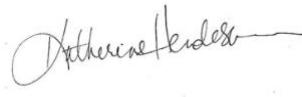
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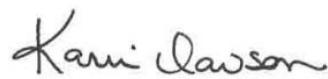
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