



**CFTPA**

*Representing television, film  
and interactive production in Canada*

**ACPFT**

*Porte-parole de l'industrie de la production  
cinématographique, télévisuelle et interactive au Canada*

**Remarks by the  
Canadian Film and Television  
Production Association (CFTPA)**

to

**House of Commons  
Standing Committee on Canadian Heritage**

**Study on the Canadian Television Fund**

February 8, 2007

*CHECK AGAINST DELIVERY*

**Guy Mayson**

Good morning Mr. Chair and Members of the Standing Committee. My name is **Guy Mayson** and I'm the President and CEO of the Canadian Film and Television Production Association (CFTPA). With me today is **Mario Mota**, the association's Senior Director of Broadcast Relations and Research.

We applaud the Standing Committee for initiating this emergency study on the Canadian Television Fund (CTF), and thank you for inviting us to share our views about the critical importance of the Fund to the continued existence of the Canadian independent television production industry. Make no mistake, the CTF is an essential component of the Canadian broadcasting system.

The CFTPA represents the interests of almost 400 companies engaged in the production and distribution of English-language television programs, feature films, and interactive media products in all regions of Canada. Our member companies are significant employers of Canadian creative talent and assume the financial and creative risk of developing original content for Canadian and international audiences.

What exactly is it that producers do? We develop the project, structure the financing, hire the creative talent and crews to help turn stories into programs, control the exploitation of the rights, and deliver the finished product. We create high-quality programming in the financially risky genres of drama, comedy, documentary, kids, and performance programming – what the CRTC calls “priority programming”. We also create content for new digital platforms. What we do, every day, is provide Canadian television viewers with the choice of a Canadian perspective on our country, our world, and our place in it. As such, the independent production sector plays a vital role in the Canadian broadcasting system, as recognized in the *Broadcasting Act*.

In addition to the central role independent television producers play in advancing Canadian broadcasting policy objectives, producers contribute significantly to Canada’s economy and are responsible for a considerable portion of the more than \$4.5 billion in production activity in Canada, sustaining over 120,000 direct and indirect full-time jobs annually.

I’m sure this Committee shares our serious concerns about Shaw Communications Inc. and Vidéotron Itée’s threat to withhold required

payments to the CTF. We cannot stand idly by – and we believe this Committee, the Government, and the CRTC cannot stand idly by – and watch some cable companies unilaterally destroy an entire industry by dictating the terms by which they will or will not live up to their regulatory obligations.

While the CFTPA was pleased with last week's announcement from the CTF that it will continue to support all eligible productions for the 2006-2007 year, we are very concerned about an anticipated "significant reduction" in the CTF's 2007-2008 budget and program allocations as a result of Shaw and Vidéotron's actions. The considerable uncertainty surrounding funding for television projects beyond 2006-2007 is already having a major negative impact on projects in development in terms of international financing and broadcasters not green-lighting them.

In the CFTPA's view, Shaw and Vidéotron's actions are unacceptable and irresponsible and, if allowed to continue, would set a dangerous precedent that would have long-term repercussions not only with respect to the future viability of the CTF but also with respect to the integrity of the CRTC's licensing and regulatory authority.

If left unchallenged, Shaw and Vidéotron's threats to stop their required contributions to the CTF will have a devastating impact on the CTF, on Canadian television production, and on the independent production and creative sectors, resulting in the loss of thousands of jobs.

Section 29 and Section 44 of the CRTC's *Broadcasting Distribution Regulations* require medium and large cable distribution undertakings and direct-to-home (DTH) satellite TV distribution undertakings (hereinafter "BDUs") to contribute a fixed percentage of their gross annual revenues derived from broadcasting services to the CTF. Further, CRTC *Circular No. 426* sets out the guideline that these BDUs make their payments on a monthly basis.

Given the seriousness of the situation, the CFTPA has asked the CRTC to immediately put Shaw and Vidéotron on notice that their threat to discontinue supporting the CTF financially would put their cable distribution undertakings (Shaw Cable and Vidéotron) and Shaw's DTH satellite TV undertaking (Star Choice) in contravention of the *Broadcasting Distribution Regulations*. Should Shaw and Vidéotron not make their contributions on a monthly basis, we believe that they would be violating, at minimum, the

spirit of CRTC *Circular No. 426*. We have urged the CRTC to take whatever steps are necessary to ensure that Shaw and Vidéotron comply with the regulations and the circular. Mario.

### **Mario Mota**

Let's not forget the origins of BDU contributions to Canadian television production. In 1993 the CRTC held a "structural hearing" to review the evolving communications environment. One result from the hearing was the identification of a need to "provide aggressive encouragement to the production and exhibition of more and better Canadian programming". The Commission called for comments on what form a new funding mechanism should take. The Canadian Cable Television Association at the time proposed the creation of a new fund financed with contributions from the cable industry, which would provide "top-ups" to the licences paid by broadcasters to independent producers for certain types of "under-represented" programs. Reaction to the proposal was generally favourable by most parties, and so the CRTC accepted it, with some modifications. Cable companies benefited greatly because they were able to keep 50% of subscriber fee increases tied to capital expenditures (CAPEX), slated to "sunset" that year.

Some cable companies have tried to undo that initiative ever since, and Shaw and Vidéotron's latest actions are another attempt to achieve that goal. Over the years, cable companies asked for and won the right to direct up to 40% of their contributions to help fund their community channels. DTH satellite TV distributors were later permitted to allocate 0.4% of their contributions to support small-market conventional television stations, in lieu of performing program deletion.

And the CFTPA was alarmed by proposals made at the CRTC's recent review of its regulatory framework for over-the-air television that any additional financial contributions that BDUs might be required to make should be taken from their existing mandatory contributions to Canadian programming production.

In our view, it is time for the CRTC to restore the full 5% BDU contribution to independently administered funds intended for independent production. Doing so would help alleviate the CTF's inability to meet all the demands on its funds and would balance the additional financial input we have asked conventional television broadcasters to make to original Canadian programming.

The CRTC has stated on numerous occasions that such financial contributions to production funds provide essential support for the production of Canadian programming. The Commission has also considered it important that funding not be diverted further from the Canadian Television Fund. Guy.

### **Guy Mayson**

We will not refute all of the arguments made publicly by Shaw and Vidéotron about what they deem to be the CTF's "failings". In our view, they show a surprising lack of understanding of and respect for a funding body they helped create and direct, and near contempt for Canadian programming and audiences.

- Shaw and Vidéotron have expressed their dissatisfaction with the CTF's "performance, operations and governance".
  - In this regard, we point out that sound governance of the CTF was recently noted by both the Auditor General of Canada in October 2005 and more recently confirmed by an independent review by Renaud Foster of Ottawa in June 2006. In our view, the CTF's comprehensive Board composition, including

representatives from the broadcast distribution sector since the Fund's inception, has allowed it to be responsive to all industry stakeholders. It's also worth noting that several past Chairs of the CTF Board of Directors have been representatives from the cable industry.

- Shaw has suggested that CTF-supported programs are watched by few people and have “no commercial or exportable value”.
  - The CTF, whose funding decisions are increasingly driven by past audience success, has made possible many highly successful Canadian programs, such as *Shania: A Life in Eight Albums* (movie of the week – 1.2 million viewers), *One Dead Indian* (movie of the week – 1 million viewers), *Degrassi: The Next Generation* (youth drama program – avg. 737,000 viewers), and *Little Mosque on the Prairie* (drama/comedy program – avg. 1.5 million viewers). These and many other CTF-supported programs are watched and loved by millions of Canadians and are proof that Canadian programs can attract large audiences. Don't just take it from us. CTV's CEO Ivan Fecan told the CRTC's recent review of over-the-air television

that CTV's "Canadian programming currently gets very good audience response". In terms of exportable value, CTF-supported Canadian dramas such as *Degrassi: The Next Generation*, *Da Vinci's Inquest*, and *Cold Squad*, and children's and youth programs such as *Life with Derek*, *Franny's Feet*, and *Renegade Press.com*, are seen and loved, in some cases, in well over 100 countries around the world. The list of programs in these and other programming genres that have found export markets is a very long one. *Da Vinci's Inquest*, for example, receives an average of 3.4 million viewers in the U.S., outperforming the popular *CSI: Miami* in syndication. We could spend the entire day here providing examples of successful CTF-supported shows. The bottom line is that Shaw is just plain wrong when it claims that Canadian programming is of low quality and non-exportable.

As an aside, it is interesting to note that more than 30 television programs have received funding support in the last couple of years alone from both the CTF and the Shaw Rocket Fund, the independent production fund set

up by Shaw in 1998. Presumably, if these projects are worthy of support from the Shaw Fund, then they are equally worthy of support from the CTF.

This morning the CTF provided an overview of some of its key accomplishments over the years. We do not wish to repeat all of these but would like to point out the following:

- Since its inception, the CTF has provided \$2.22 billion in funding support to 4,470 independently produced Canadian English- and French-language productions in the genres of drama, children's and youth, documentary, and variety and performing arts.
- The financial contribution from this unique public-private partnership has helped create 23,141 hours of great Canadian television, triggering total production budgets of \$7.4 billion. For every dollar the CTF has invested over the years, it has leveraged an additional \$3.3 from other sources. The important leverage factor of this Fund cannot be overstated.

- An estimated 21,300 full-time equivalent jobs out of 46,700 jobs in the television production sector are the result of CTF-supported productions. That's a powerful statistic. Would any government let a company employing more than 21,000 people simply close its doors without trying to do something about it?

Put simply, without the CTF Canadian independent producers could not afford to make their programs because the Canadian market is too small to finance the high cost of these shows. Further, Canadian broadcasters would not have been able to exhibit the amount of high-quality, distinctively Canadian television programming that they have presented over the past decade without the Fund.

The CFTPA has two representatives on the CTF board. Over the years, our representatives have been vocal in expressing the views of the independent production sector on the Fund's workings. The CFTPA considers the CTF to be the single most important initiative supporting distinctive Canadian television production and we remain committed to the Fund and its overall objectives.

In closing, we were extremely pleased with Minister Oda's January 26 announcement of the Government's contribution of \$200 million over two years for the CTF and for confirming the Government's commitment to the Canadian television production industry and a strong broadcasting system. Now, it's up to Shaw and Vidéotron to hold up their end of the bargain, and for the CRTC to ensure that these licensees resume timely payments to the Fund.

We appreciate the Standing Committee's interest in this issue and encourage it to express support for the Canadian Television Fund.

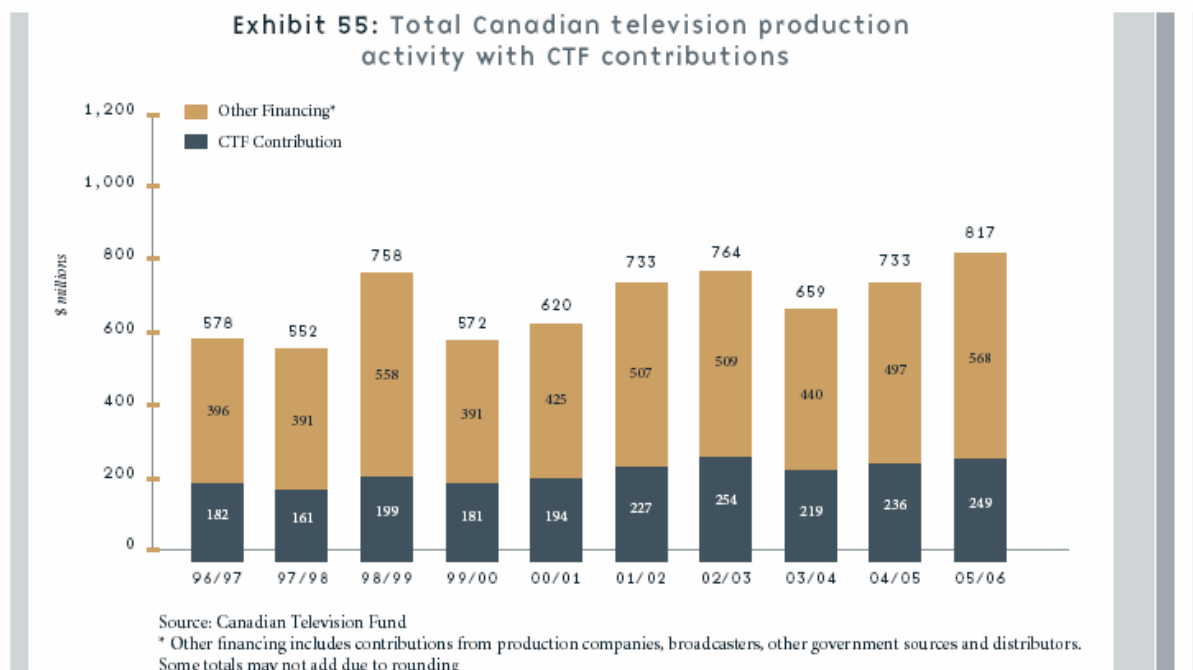
Thank you for your time and we would be pleased to answer any questions you may have.

## Key Statistics

### Total Volume of CTF-Supported Production

The CTF was established in 1996 and continues to be one of the key tools for supporting Canadian television production. In 2005/06, the CTF's contribution to Canadian television programming rose, as did the total production budgets supported by these financial contributions.

- The CTF contributed **\$249 million** to production budgets totalling **\$817 million** in 2005/06.
- Other financing – comprised largely of contributions from production companies, broadcasters, other government sources, and distributors – contributed an additional \$568 million to CTF-supported productions.
- CTF contributions rose by 6%; the total volume of CTF-funded production increased by 14%. The increase in CTF contributions was possible because of increased contributions from cable television and direct-to-home satellite TV service providers as a result of revenue growth.

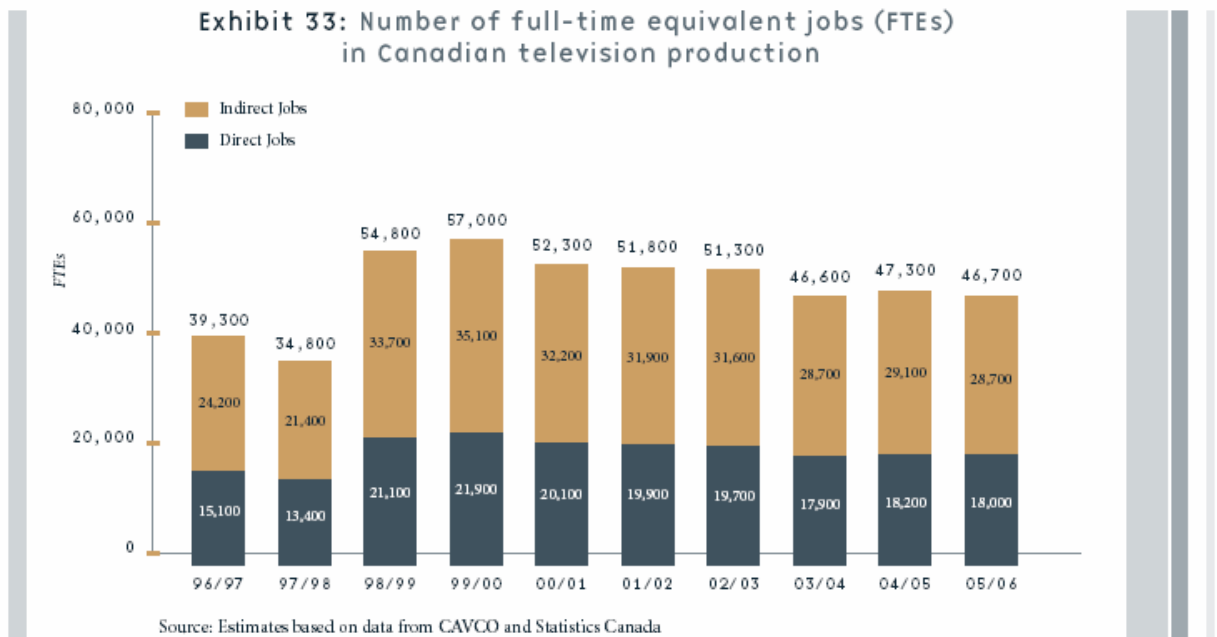


**Source: Profile 2007: An Economic Report on the Canadian Film and Television Production Industry (soon to be published).**

## Direct and Indirect Jobs in Canadian Television Production

In 2005/06, Canadian television production generated an estimated **46,700** full-time equivalent jobs (FTEs) in Canada.

- Direct jobs in Canadian television production: 18,000
- Indirect jobs in other industries: 28,700

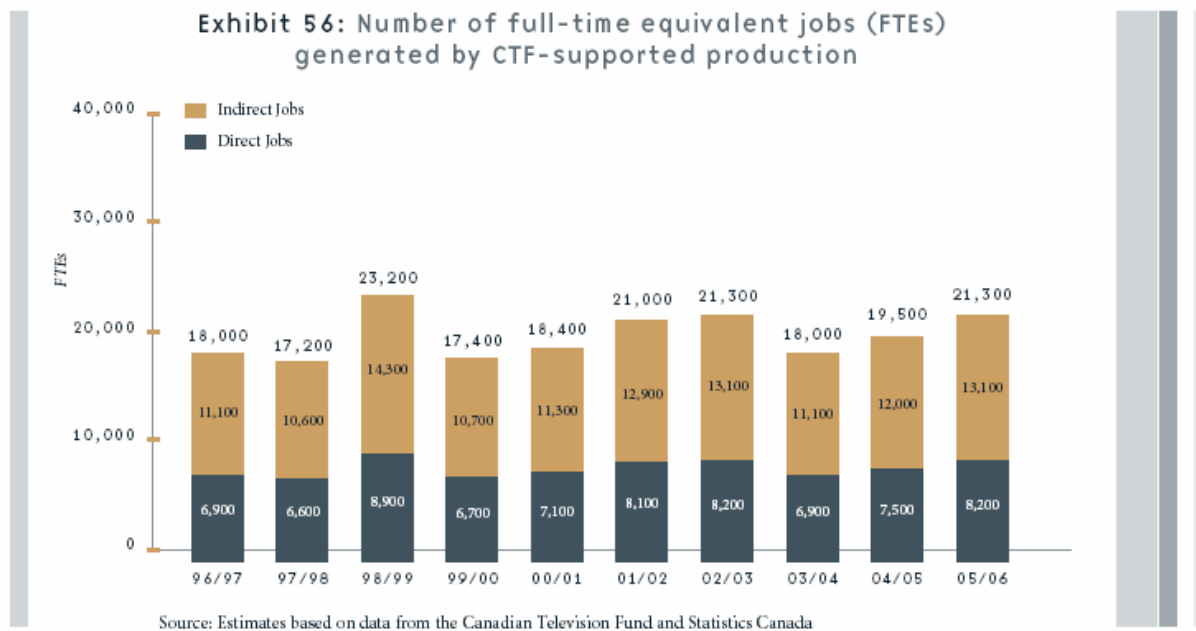


Source: *Profile 2007: An Economic Report on the Canadian Film and Television Production Industry* (soon to be published).

## Jobs Supported by CTF-Supported Television Production

In 2005/06, CTF-supported television production generated an estimated **21,300** full-time equivalent jobs (FTEs) in Canada.

- Direct jobs in production: 8,200
- Indirect jobs in other industries: 13,100



Source: *Profile 2007: An Economic Report on the Canadian Film and Television Production Industry* (soon to be published).