



CFTPA

*Representing television, film
and interactive production in Canada*

ACPFT

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

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

to

**Standing Senate Committee
on Transport and Communications**

Study on the Canadian Television Fund

February 27, 2007

The Canadian Film and Television Production Association (CFTPA) appreciates the Standing Senate Committee's interest in the Canadian Television Fund (CTF) and for examining the Fund's objectives, operation, and governance. We thank you for inviting us to share our views about the critical importance of the CTF to the continued existence of the Canadian independent television production industry. The CTF is an essential component of the Canadian broadcasting system and, in our view, an enormously successful one.

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.

People often ask us what exactly do producers do? Well, 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.

As the Committee is aware, the CTF has been under attack over the past several weeks as a result of Shaw Communications Inc. and Vidéotron Itée's decision to withhold their traditional monthly payments to the Fund. Shaw and Vidéotron's unacceptable actions put the Canadian television production industry in complete limbo and created an unnecessary financial crisis. The CTF administration was not able to predict what resources the Fund would have to work with in the coming production year, and broadcasters stopped ordering programs. This created tremendous uncertainty in the sector and has had an immediate impact on international sales. Uncertainty is deadly for production planning.

The CFTPA is thankful of the leadership shown by both the Minister of Canadian Heritage and the CRTC in convincing Shaw and Vidéotron to resume their monthly payments to the CTF and in restoring stability to the Canadian independent television production industry. We are extremely pleased with the Minister of Canadian Heritage'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. We are also pleased that the CRTC recently affirmed the important role the CTF plays in supporting the production of high-quality Canadian programs.

Over the past several weeks, Shaw and Vidéotron have suggested that the CTF is broken. Shaw has gone as far as to proclaim, prematurely we think, that the Fund is “dead, done, gone”. We strongly disagree with these assertions.

The CTF appeared before the Committee last week and aptly explained the objectives, operation, and governance of the Fund and provided you with an overview of some of its key accomplishments over the years. We will not, therefore, cover all of this ground again. From our perspective, the CTF has been and continues to be a great success. The Fund is a well governed and managed institution. It is a flexible funding body that is constantly adapting to new realities in the broadcasting, production, and distribution sectors. Since its creation, the CTF has continually evolved to ensure its policies, programs, and operations meet the needs of all of its clients and stakeholders.

The CFTPA has two representatives on the CTF board. There are twenty board members in total, including six independent members. Over the years, our representatives have been vocal in expressing the views of the independent production sector on the Fund’s workings. The CFTPA remains committed to the Fund and its overall objectives.

We note the CRTC’s announcement last week of the creation of a Task Force on the CTF. We acknowledge that the CTF should undergo regular examination in order to ensure that it keeps pace with the needs of a rapidly changing broadcasting sector. Indeed, the Fund is regularly reviewed internally by its staff and Board of Directors, and through periodic external reviews. In our view, the CTF does not currently require an overhaul, as some

have suggested. We look forward to participating in the CRTC Task Force process to share the independent production sector's views on the Fund's workings.

Arguments made publicly by Shaw and Vidéotron about what they deem to be the CTF's "failings" are completely unfounded. Some of their concerns are principled and some of them are related to corporate self-interest. In our view, they show a surprising lack of understanding of a funding body they helped create and direct, and little respect for Canadian programming and audiences. For example:

- 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 has been confirmed in periodic examinations and independent reviews. Concerns expressed by the Auditor General of Canada were well on their way to being addressed when she issued her report in October 2005. As the CTF told you last week, all of the Auditor General's comments and recommendations regarding the CTF have been implemented. 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 and do attract large audiences. 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 *Renegadepress.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 those who claim that CTF-supported programming, or all Canadian programming for that matter, is of low quality and non-exportable are just plain wrong.

- Quebecor's self-serving proposal for a new funding scheme is not only bad public policy, but also contrary to the *Broadcasting Act's* objective to support the independent production sector. Pierre Karl Péladeau's statement that independent producers are only "financing experts" is highly insulting, and shows a near contempt for the independent production sector.

The real question facing us is should commercial or corporate self-interests of broadcast distributors such as Shaw and Vidéotron (hereinafter "BDUs") be allowed to unilaterally decide what kind of television funding system we should have in this country and what role they should play in it? We believe that the CTF is too important to the Canadian economy and to achieving Parliament's cultural policy objectives as outlined in the *Broadcasting Act* to be dictated solely by its private-sector funders. The creation of quality Canadian programming for Canadian audiences – and for the benefit of the Canadian broadcasting system as a whole – depends on it.

Shaw and Vidéotron have benefited greatly for decades from a regulated cable distribution system. Part of those regulations includes a requirement to contribute financially to the CTF. From our perspective, all broadcast licensees including BDUs should contribute to the creation of Canadian programming for the benefit of the entire Canadian broadcasting system as a quid pro quo to having a licence. No licensees should be able to shirk their responsibilities under the *Broadcasting Act*. In our view, this is not something that is open for debate.

Shaw and Vidéotron's recent actions to withhold their monthly payments to the CTF have demonstrated that CRTC *Circular No. 426* is insufficient to ensure that BDUs meet their CTF requirements under the CRTC's *Broadcasting Distribution Regulations*. The CRTC has expressed a willingness to amend the Regulations to explicitly specify the requirement for traditional monthly payments by BDUs to the Fund. Last week we wrote to the Commission asking it to begin the process immediately to do just that. Regardless of the fact that Shaw and Vidéotron have resumed their monthly payments to the CTF, it is essential to the Canadian independent production sector that this amendment be made quickly in order to close the regulatory gap that was exploited by Shaw and Vidéotron. We respectfully submit that failing to do so would effectively allow Shaw, Vidéotron, and other BDUs to dictate the terms by which they will or will not live up to their regulatory obligations. It would also mean that the production industry and the creative sector would be thrown into instability should Shaw, Vidéotron, or another BDU decide to withhold monthly contributions to the CTF in the future. The industry cannot and should not be held hostage in this manner.

In closing, paragraph 3(1)(i)(v) of the *Broadcasting Act* states that the programming provided by the Canadian broadcasting system should include "a significant contribution from the Canadian independent production sector". The CTF is the single most important initiative supporting this objective and the creation of distinctive Canadian television programming.

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, without the Fund 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.

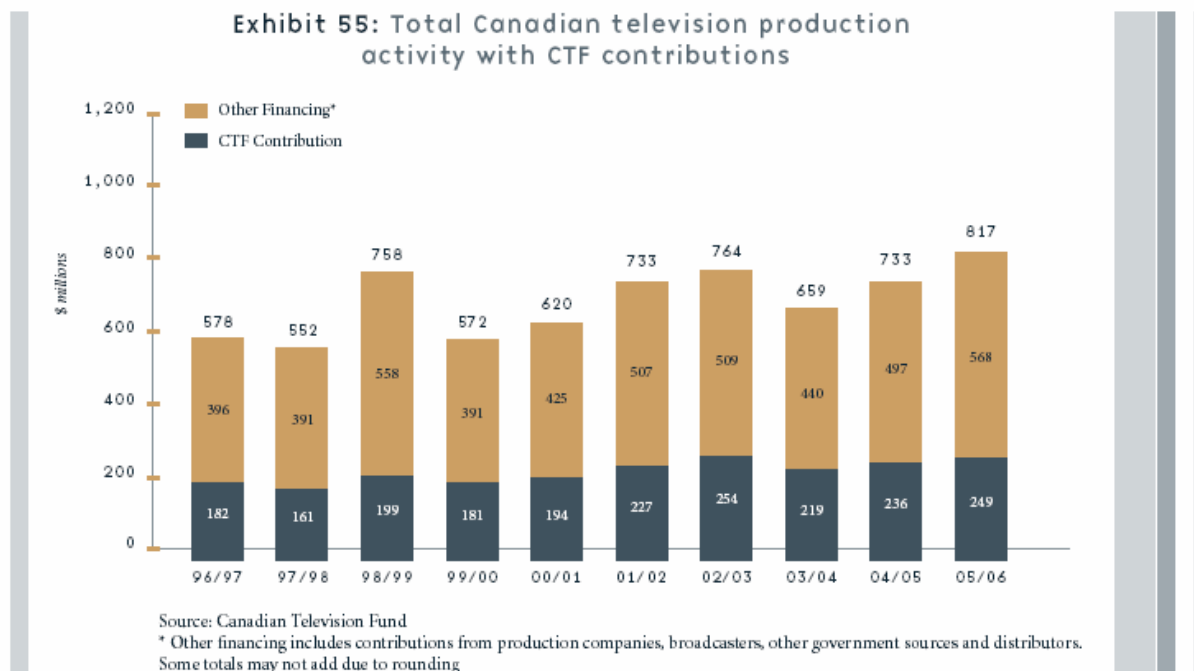
We appreciate the Standing Senate Committee's interest in the CTF and encourage it to express support for the Fund in its report. More specifically, we urge this Committee to use its influence to echo our call for an amendment to the *Broadcasting Distribution Regulations* to codify monthly payments by BDUs to the CTF and to state that the Fund is not in need of a major overhaul.

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.

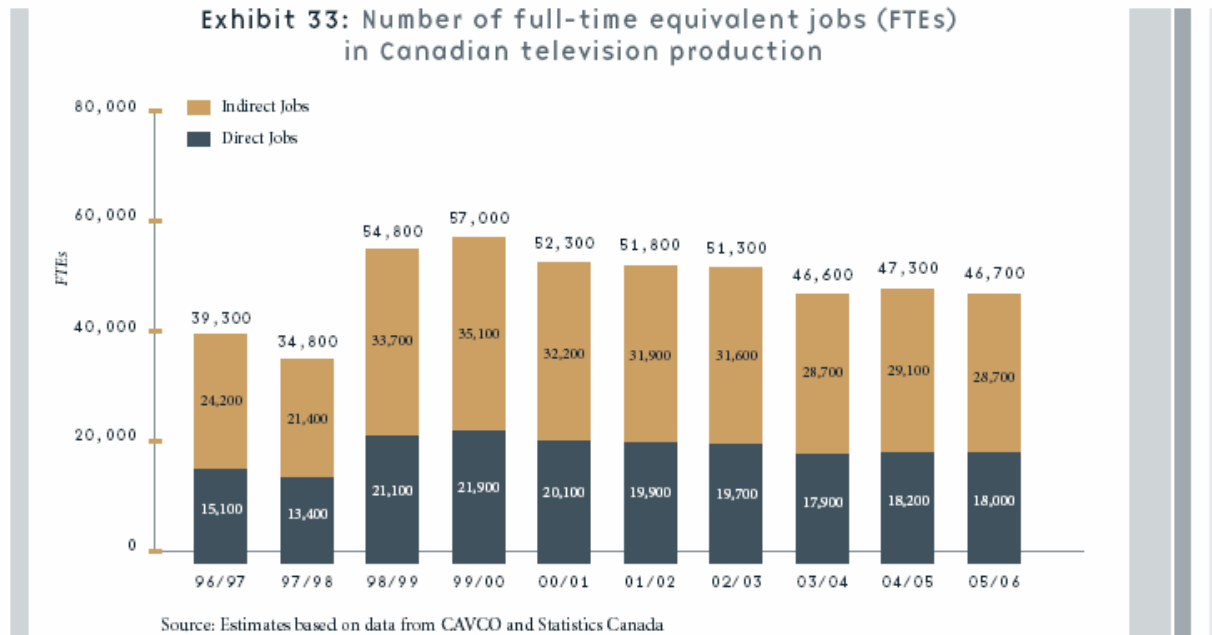


Source: Profile 2007: An Economic Report on the Canadian Film and Television Production Industry.

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

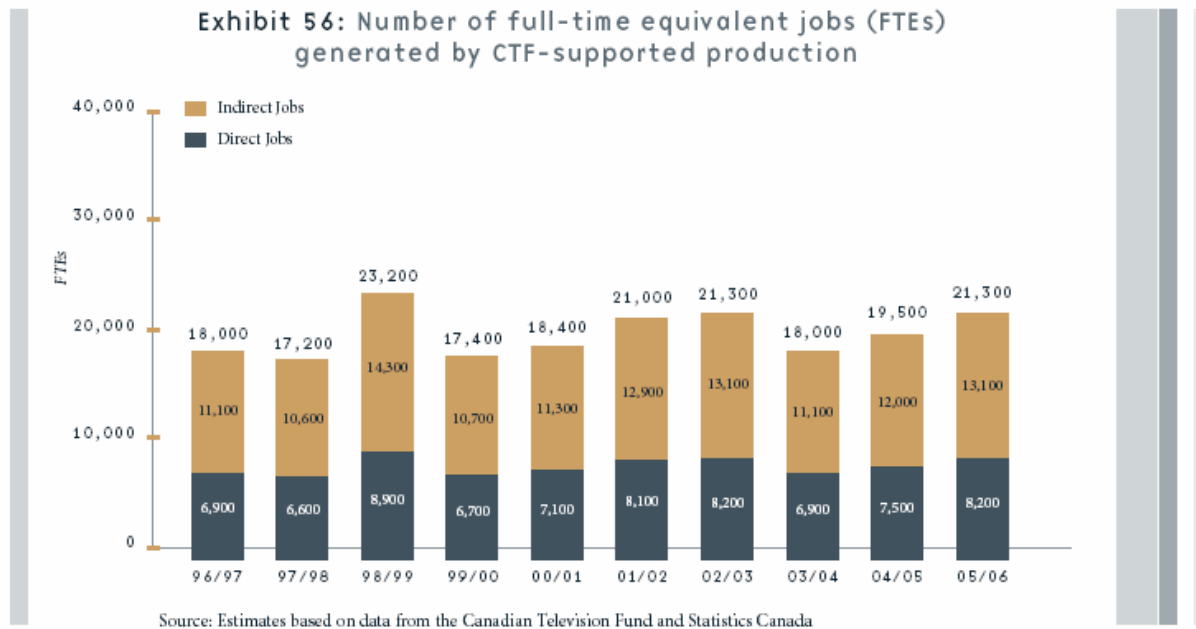


Source: *Profile 2007: An Economic Report on the Canadian Film and Television Production Industry.*

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.*