



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

**Emerging and Digital Media:
Opportunities and Challenges**

May 6, 2010

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John Barrack

Good morning Mr. Chairman and Committee Members. Thank you for the opportunity to appear before you. The Canadian Film and Television Production Association, or CFTPA, welcomes the occasion to speak with you on the opportunities and challenges related to emerging and digital media.

My name is John Barrack. I'm the CFTPA's Chief Operating Officer and Chief Legal Officer. Presenting with me today is Marc Séguin. He is the Association's Senior Vice President of Policy.

Our President and CEO, Norm Bolen, would have liked to be here today but had a scheduling conflict. He is a Board Member of the Hot Docs festival taking place this week in Toronto.

As many of you know, the CFTPA is the national trade association that represents the most successful Canadian independent screen-based media production entrepreneurs working in the English market in television, feature film and interactive media. We have close to 400 members and they are located in every region of the country.

Together our members are responsible for a large majority of the more than \$5 billion in production activity that occurs in this country each year and the 130,000 jobs this work sustains. With a few exceptions, our members are virtually all small and medium-sized enterprises.

We take this opportunity to congratulate the Government for having committed this past March in the Speech from the Throne to launch a digital economy strategy for Canada. We understand through media reports that a national consultation process will be launched in the near future. The CFTPA and its members look forward to participating in that process.

We also applaud this Standing Committee for having initiated its own study on emerging and digital media. We believe it important to have a broad and open discussion on this vital subject, and that as many decision-makers as possible participate in the dialogue.

Before addressing some of the specific questions outlined in your study's terms of reference, we first share with you our thoughts related to digital media in general and the national digital media strategy in particular.

Marc Séguin

Who would have imagined even a decade ago that one could access a music store online and legitimately download thousands of songs to a device so tiny you can clip to your shirt collar? Or, read a newspaper on a screen on your mobile phone? Or, access online a program that you missed when it was originally broadcast on television?

The digital media innovations we have witnessed over the last decade are quite impressive to say the least. And, if you consider Moore's Law, I think it's safe to say that ten years from now digital media will evolve to a point that is unimaginable today.

Indeed, in the not-too-distant future a country's very prosperity and social vibrancy could very well be determined by its ongoing capacity to innovate and its ability to exploit the opportunities of the digital age. To be a globally competitive leader could mean a better standard of living for all Canadians; to fall behind could also mean a marked degree of uncertainty.

We believe that Canada can and must be a world leader in the digital age. All stakeholders owe it to the next generation of Canadians to work together to ensure that we do in fact succeed at being at the top of our competitive game internationally.

We think putting in place a national digital media strategy is a key element in the pursuit of this important goal. A number of other countries, like Great Britain, Australia, New Zealand and France, have already done so. We must not fall further behind.

This national strategy must position Canada for both economic and cultural prosperity in the 21st century. It should seek to formalize key objectives and be supported by interconnected policies, strategies and action plans. And, it should span the public and private sectors.

To be successful, we believe this strategy needs to have four key underpinning objectives.

The **first** is to ensure that Canada possesses a **broadband infrastructure** that is second to none in the world. While perhaps simple in concept, we are not blind to the forces at play or the inherent cost of achieving and maintaining this objective. This goal, however, is the modern day equivalent to building the transcontinental railway or the TransCanada Highway.

As a **second** objective, we must guarantee that **Canadians control** this infrastructure. While there is clearly a need to attract foreign private investment in the building of our broadband capacity, we do not believe that the course of Canada's economic or cultural future should be charted by foreign interests.

Third, basic access should be a right. We believe that all Canadians should have an opportunity to participate in the digital age. There should be no geographic, economic, cultural, ethnic, linguistic or even knowledge-based barriers to such participation. One of Canada's strengths has long been its diversity. Ensuring that all Canadians can participate in the digital age will help promote and celebrate that diversity.

And lastly, the **fourth** objective is in many ways the most important in our view. This objective relates to ensuring that **professional content** created by Canadians has priority on our broadband networks.

A national digital media strategy must clearly recognize that our broadband infrastructure is a key vehicle for achieving both economic and cultural goals. Few people question the potential of digital media to contribute to Canada's economic future. Canada's cultural sector, however, is a key component of the economy of tomorrow.

A 2008 report titled *Valuing Culture – Measuring and Understanding Canada's Creative Economy* done by the Conference Board of Canada valued the culture sector's economic footprint to be \$84.6 billion in 2007 (or 7.4% of Canada's total real GDP) and contributing 1.1 million jobs. This is very significant to say the least.

In our view, broadband infrastructure should be recognized as a public service that is essential to the maintenance and enhancement of Canada's national identity and cultural sovereignty.

We also believe that each element of the broadband system should contribute in an appropriate manner to the creation and presentation of professional Canadian content. To ensure we continue to promote diversity in this country, we believe a very large majority of that content should be provided by independent producers.

I now pass the floor back to my colleague John who will address some of the specific questions that are asked in your terms of reference.

John Barrack

Over time production businesses in Canada have matured and have increasingly become well-established. Nevertheless, they must now deal with significant changes to their traditional business model.

Long gone are the days when a producer could conceive a program for a single exhibition window. And, the days are also past when they could secure the necessary financing to produce that show by licensing the rights to a multitude of individual television broadcasters in Canada and abroad.

Production companies have been thrust into a position where they must now produce a program concurrently for several platforms, and they must do so with fewer domestic and international sources of financing. This has led to significant financial challenges.

Consolidation in the Canadian television broadcast sector is a large part of our financing challenge. With only three large broadcast corporate groups now in English Canada, there are effectively few selling opportunities in the television market for our members.

Increasingly, broadcasters also want to undertake their productions in-house. When they do decide to commission work from an independent producer, it is typically because the project is much riskier to produce.

They are using (some might even say abusing) their dominant position in the market to secure unreasonable terms from Canadian producers. They are demanding more rights, including all digital rights, and often paying very little, or no, additional money for these rights.

We highlight that a broadcaster is also the only trigger to access financing under the Canada Media Fund and one of the main triggers to access the Canadian Film or Video Production Tax Credit. This puts them in a very strong bargaining position.

Independent producers are often faced with a serious quandary: they either accept the take-it-or-leave-it deal offered by broadcasters to keep their business alive, or they turn down the terrible terms and face the prospect of putting their business on hold or even closing their doors permanently.

This kind of behaviour by broadcasters undermines the sustainability of independent production companies and, by extension, the many thousands of jobs they support. This is why we have been pushing so fiercely for equitable and enforceable terms of trade with broadcasters.

Thankfully, the CRTC has recognized the issue and has repeatedly stated its expectation that producers and broadcasters reach an agreement before licence renewals in 2011. We remain hopeful that an agreement with teeth can be achieved.

In addition to this particular challenge, foreign financing to Canadian certified production has significantly decreased, dropping from \$407 million to \$196 million between 2001 and 2008. And, our co-production activity has also experienced great declines, dropping by more than half to about \$390 million over roughly the same timeframe.

In our view these downward trends can be reversed by updating our international policies and programs. Canada's official co-production treaties and new export promotion programs could be invaluable tools in this area.

Despite the formidable challenges independent producers face, they have nonetheless achieved some success. Some have consistently been at the forefront of exploiting the unique potential of the Internet to deliver Canadian programming to audiences on new platforms and in new ways.

In a number of cases, independent producers have collaborated with broadcasters to extend the reach of existing successful Canadian television series on the Internet. In other cases, independent producers have used the Internet as the primary distribution platform for their content, either through self-distribution or by entering into revenue-sharing arrangements with Internet content aggregators and distributors, such as Joost, Babelgum, and Sling.

Critically acclaimed multi-platform programs like the award-winning *regenesistv.com* from Xenophile Media and Shaftesbury Films, and the cutting-edge new media components of *Degrassi: The Next Generation* from Epitome Pictures, are examples of the creative talent and skilled entrepreneurship of Canadian independent producers.

To share another example, Marblemedia's *thisisdanielcook.com* is the companion website to the television series *This is Daniel Cook*. It puts preschoolers in control with bright symbols, spoken instructions and stimulating games and activities. *Thisisdanielcook.com* achieves an impressive 1.7 million page views per month.

Another one of your questions talks about what the producers can do to benefit from developments in digital media and to prepare for the future.

As just noted, independent producers have been innovative and they continue to adapt to take advantage of new opportunities in digital media and the internet more specifically.

Two days ago in Toronto we hosted a roundtable "kitchen cabinet" meeting to which we invited leading experts from several sectors, including independent producers, broadcasters, telecommunications and wireless, web-based companies, as well as other industry organizations. We also invited a select group of regular Canadian consumers to get their thoughts on digital media. The goal of this roundtable was to learn from consumers so that we could identify

areas of common interest that key stakeholders could work on collaboratively in moving forward. We are organizing another similar roundtable in Ottawa with senior government officials from various departments.

No one has a crystal ball with which to predict with certainty the future of digital media. But, there is one thing we do know. An environment where all stakeholders collaborate is the only productive way of ensuring we will achieve our goals to position Canada for prosperity in the 21st century.

You asked what policies the federal government could implement to help Canadians and Canadian independent producers benefit from developments in emerging digital media. We conclude our presentation with our specific thoughts in this regard.

A national digital media strategy for Canada must be developed and implemented as quickly as possible:

- 1) The strategy must recognize digital media as crucial to both Canada's economic and cultural future;
- 2) It must deem broadband infrastructure as being a public service that is essential to the maintenance and enhancement of Canada's national identity and cultural sovereignty;

- 3) It must enshrine the principle that each element of the broadband system must contribute in an appropriate manner to the creation and presentation of professional Canadian content, and that a very large majority of that content should originate from independent producers;
- 4) The strategy must recognize that the existence of meaningful terms of trade between independent producers and broadcasters is in the public interest and necessary to ensure equity and fairness in the system, and promote diversity;
- 5) The strategy must require that Canadians control broadband infrastructure, while also recognizing the need to attract greater private investment (including foreign capital) in our communications networks and in the creation of professional Canadian content;
- 6) It must ensure basic access for all Canadians to broadband networks so that they may fully participate in the digital age;
- 7) The strategy must renew the Canada Media Fund for 5 years. One or two-year renewals creates uncertainty and undermines any capacity by all stakeholders to develop longer-term business plans;

- 8) It must update existing support programs, like the Canadian Film or Video Production Tax Credit or the Canada Media Fund, to allow new distribution options to qualify a project for funding. Television broadcasters should no longer be the main gate-keepers to access funding;
- 9) The strategy must revitalize CBC Television in light of the important role it plays in our system;
- 10) And, last but not least, Canada's digital media strategy must incorporate a new export and co-production policy to stimulate the international segment of the independent production sector. The Canadian market alone is simply too small to stimulate any real growth and therefore we must increasingly focus on opportunities in foreign markets;

That concludes our presentation. We would be happy to answer any questions you may have.

Thank you.