



**CFTPA**

*Representing television, film  
and interactive production in Canada*

**ACPFT**

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

# **Canadian Film and Television Production Association**

**Submission to the**

## **Canada Media Fund**

### **Industry Consultations on Key Policy Issues**

September 4, 2009



## ***Executive Summary***

The Canadian Film and Television Production Association (CFTPA) welcomes the opportunity to participate in the creation of the new Canada Media Fund (CMF) by providing, as a first step, its responses to the questions detailed in the industry consultation briefing notes. We look forward to expanding on our responses during the focus group meetings and to continuing the dialogue in the months and years to come.

The CFTPA represents the interests of almost 400 small- and medium-sized, Canadian-owned and controlled independent companies engaged in the production and distribution of English-language television programs, feature films and interactive media works in all regions of the country. Our member companies each year generate an impressive level of economic activity valued at some \$4 billion, and sustain close to 100,000 quality Canadian jobs. And, this level of activity does not account for interactive media production which is also very significant.

Independent producers develop projects, raise the financing, and hire the creative talent and crews that help turn stories and ideas into compelling linear and interactive programming. Independent producers assume the creative and financial risk of developing original, high-quality content for Canadian and international audiences. These productions are exported to hundreds of countries. They receive critical acclaim and achieve audience success in Canada and internationally.

Through the content we create, independent producers help further the government's cultural, broadcast, innovation and industrial policy objectives. We provide Canadian television viewers with a Canadian perspective on our country, our world, and our place in it. The content we produce enhances cultural choices and reflects the rich diversity of this country. This important role has long been recognized through federal government policy, including the *Broadcasting Act* (the "Act"), which calls for a "significant contribution" from the independent production sector to the Canadian broadcasting system.

The independent production sector, aided by sound government policy, has evolved over a quarter century, since the introduction of the original Canadian Broadcast Program Development Fund at Telefilm Canada, to become a major success story. Our annual output of content has increased considerably and many high quality jobs have been created as a result. Despite these gains, more progress needs to be made in fostering healthier corporate capacity in this sector. On the whole, independent producers are still financially very fragile, with even relatively well-established producers sustaining themselves on a project-by-project basis. Moreover, unreasonable business practices resulting from major consolidation within the broadcasting sector have hampered our ability to achieve the goal of stronger corporate capacity. Simply put, independent producers are increasingly being squeezed financially by broadcasters who are demanding excessive licence terms. Broadcasters are insisting on longer licence periods often with unlimited plays, as well as the ability to air the same program on various broadcast services within their corporate holdings. They are pressuring independent producers to provide them with additional rights to a variety of new platforms including video-on-demand, broadband distribution, online streaming, and even to merchandising.



Couple this situation with the fact that tax credits are often forced into a production's financial structure, as opposed to being available to a producer to help build corporate capacity, and it is easy to understand why the independent production sector is seriously handicapped in its ability to achieve any degree of self-sustainability.

The CTF by any measure has been a tremendous success. Since its inception in 1996, it has contributed over \$2.7 billion to more than 5,400 high-quality Canadian television programs in the under-represented genres of drama, documentary, children's and youth, and variety and performing arts in English, French, and Aboriginal languages. This investment has triggered more than \$9 billion in production activity across the country which in turn has sustained quality jobs for hundreds of thousands of creative people in every region of Canada. These productions have been broadcast during peak viewing periods to hundreds of millions of viewers. And, they have achieved immense critical acclaim by being nominated or winning thousands of awards both in Canada and abroad.

Among the CTF's strengths is its ability to evolve and transform in response to the changing production and broadcast landscapes. We have no doubt that the new CMF will continue to be both as adaptable and as successful going forward in helping to support programming that viewers want to watch and on the distribution platforms on which they choose to watch it.

The CFTPA welcomes and applauds the government's stated goals of promoting innovation in Canadian content creation and distribution and providing Canadians with content they want to watch on the platforms on which they want to watch it. We also support most of the key elements for the Fund that were set out in the CTF's communiqué of July 10, 2009.

In the creation of the new CMF, however, we would highlight from the outset the need to resist the temptation to try to introduce too many changes to the Fund in the first year. Not only is the timeline very constrained if new Guidelines are to be finalized in time for 2010-11, but the potential for taking on more than the industry and Fund administrators can handle, and the destabilizing effect this would have for both producers and broadcasters, is very real. Rushing forward in implementing any change without first fully assessing the implications of that change would also not ultimately best serve Canadians and could result in reducing the Fund's effectiveness.

As such, we would suggest an approach that is more gradual and one that for the first year focuses on incorporating those fundamental changes announced by the Minister of Canadian Heritage in March 2009. In our view those are:

- i) integrating the Canada New Media Fund (CNMF) and the CTF;
- ii) developing criteria for "original value-added content" within the Convergent Stream;
- iii) setting out the parameters for new entrants' access to the Broadcast Performance Envelopes (BPEs); and,
- iv) establishing clear, fair and equitable rules for expanding access by broadcaster-affiliated producers and for allowing access by in-house producers.

The remaining issues could be discussed once the complex details of the four issues noted above are nailed down and the new CMF is operational. That being said, we do not mean to suggest that the other issues outlined in the consultation briefing notes are less important. We simply want to be pragmatic, recognizing that the issues are complex and the deadline for releasing the 2010-11 Guidelines is short.



We would underscore that the creation of the new CMF presents a huge opportunity. Not only can the Fund help to level the playing field between the different broadcast sectors and production regions, but it can also be instrumental in rebalancing through clear, meaningful and enforceable safeguards the considerable inequities between independent producers and the very few corporate broadcasting groups that now exist. The need to address this situation has already been recognized by the CRTC in several recent policy announcements and decisions. We believe the CMF can play a significant role through safeguards to restore some measure of balance in negotiations between independent producers and broadcasters.

While the CTF has implemented a number of safeguards in recent years, broadcaster consolidation has rendered these safeguards generally ineffective in preventing undue exploitation of bargaining power by independent producers vis à vis broadcasters.

For example, it has almost become standard business practice for certain broadcasters to require that an independent producer agree to send a joint letter to the President of the CTF requesting a waiver of the CTF guideline that requires a “freeze” on the negotiation of additional rights until two weeks following the conclusion of the negotiation of the broadcast licence. A similar trend can be identified with respect to waiving the CTF guideline requiring that independent producers invest no more than 90% of their tax credits in the financing structure of a project.

In addition, the CTF Guidelines, as currently worded, may also be inadvertently and unintentionally enabling certain broadcasters to exercise control over the ability of independent producers to exploit the non-Canadian rights to a project. Because international distributors expect to acquire the additional rights pertaining to their territories, any unreasonable limitations or restrictions on those rights that are demanded by a Canadian broadcaster can put at risk the entire financing of a project.

And, lastly, we highlight a growing issue with the BPE system in general, and one which we would ask the CMF and, if need be, the Department of Canadian Heritage to consider addressing in the very near future. Independent producers are increasingly finding themselves in a position where CTF-qualifying projects – and often the renewal of full television series previously supported by the CMF – are nearly fully financed through various sources and for various platforms with the exception of the required pre-sale from a Canadian broadcaster. Without the required pre-sale from a Canadian broadcaster, of course, producers cannot access the CMF to complete their financing and green light those new projects. Because of their internal amortization policies, some broadcasters are increasingly delaying the broadcast of the original program or series they pre-licensed. This is causing significant delays in reordering subsequent programs or series, thus putting the entire new project at risk. This is a major weakness of the system, where a very large majority of resources are allocated via BPEs and broadcasters are the only trigger to access those funds. When broadcasters delay in licensing new projects because of their own internal amortization policies, thus putting at risk millions of dollars of production activity and the thousands of jobs those productions create, there is something clearly wrong with the fundamental design of the BPE system. We urge the CMF to consider looking at alternative approaches to allow producers to trigger CMF funding in absence of a pre-sale from a Canadian broadcaster, particularly when projects are almost fully financed.

We believe the CMF is well placed to help address these growing challenges. We ask the Fund to adopt meaningful safeguards and other measures and initiatives that will ultimately foster innovation in content creation for multi platforms and an equal and effective partnership between broadcasters and independent producers. With such measures we are convinced that not only will the independent production sector be able to more effectively promote Canada's distinct cultural identity,



it will also remain a key engine of employment for the creative economy. This, in turn, will better position Canada as a true competitor in the global content marketplace.

The above said, with a view to contributing fully to the consultation process, we have provided answers to all 76 questions contained in the briefing notes, as follows:

## **ISSUE 1: PROGRAM ALLOCATIONS - CONVERGENT & EXPERIMENTAL STREAMS**

### ***Question 1: How should the CMF allocate its program funding between the convergent and experimental streams?***

For 2010-11, we believe the allocations should be along the lines as detailed in the table below. Our recommendation assumes all existing resources under the CNMF, excluding administration costs, are redirected to the CMF (i.e., \$12.2M).

You will note in the table below that we propose to eliminate the Digital Media Program (DMP) given that all projects supported in the Convergent Stream going forward will need to be developed for a minimum of two platforms, one of which is television. Hence, there is no longer a need for the DMP. We have reallocated \$5M of the DMP's resources to the Development Financing Program. Further, we are recommending the creation of a Non-convergent Production Assistance program under the Experimental Stream with an allocation of \$15M, as well as two other programs in support of sectoral development and assistance, valued at \$2M and \$0.2M respectively. You'll note that the three programs we are recommending under the Experimental Stream are effectively the same ones that now exist under the CNMF.

The amount of the Non-convergent Financing Program was derived by combining the existing resources earmarked for Product Assistance under the CNMF (i.e., \$10M) with \$5M in resources that were previously earmarked to the DMP. The amounts suggested for the sector development and assistance components are the same as they are now under the CNMF.

<b>Allocation of CMF Resources for the 2010-11 Fiscal Year</b>	
<b>Stream/Program</b>	<b>Budget (millions \$)</b>
Convergent Stream	327
Production Incentive	10
Development Financing	15
Aboriginal-language projects	4
Versioning assistance	1.5
French-language Quebec regional incentive	0.8
French-language regional development	0.25
BPE	285.2
French-language Projects Outside Quebec	10.2
Experimental Stream	17.2
Non-convergent Production Assistance	15
Sectoral Assistance	2
Sectoral Development	0.2
<b>Total</b>	<b>344.2</b>



We believe these allocations will need to be revisited in subsequent years. While we recognize that it is outside the scope of this consultation process, we note the growing need to put in place new sources of funding to support both convergent and non-convergent new media projects. This could be through contributions made by alternative distribution platforms and new federal support programs. Until new resources are identified, the CMF will be placed in the difficult position of having to decide whether to steal from Peter, in the television sector, to pay Paul in the new media sector.

***Question 2: Should there be any minimum percentage of the convergent allocation to go to non-television platforms?***

No. We do not believe that at the current time there is a need to allocate a minimum percentage of the resources allocated to the Convergent Stream to non-television platforms.

You'll note that we are recommending the creation of a new dedicated \$15M Non-convergent Production Assistance Program under the Experimental Stream to help support projects that are specifically developed for platforms other than television.

***Question 3: Are the current funding allocations to the Special Initiatives (Development, Aboriginal-languages projects, Versioning) appropriate?***

Generally, yes. As we have noted above, however, we are recommending an increase of \$5M to the Development Financing program under the Convergent Stream and, under the Experimental Stream, the creation of a dedicated \$15M Non-convergent Production Assistance Program, a Sectoral Assistance Program (\$2M) and a Sectoral Development Program (\$0.2M).

## **ISSUE 2: CONVERGENT CONTENT**

In formulating our recommendations in this area, we have assumed that i) virtually all projects supported under the Convergent Stream will be required to be available across a minimum of two distribution platforms, including television, regardless of genre, and ii) the Experimental Stream will be focused entirely on stand-alone non-convergent projects (i.e., new media projects not related to television). As such, our responses in this area relate to projects supported under the Convergent Stream and, more specifically, to that component of the television program that is intended for a platform other than television.

***Question 1: What criteria should the CMF consider to determine what original value-added content meets its requirements?***

As the consultation briefing note aptly pointed out, the production, broadcast, distribution and accessibility of convergent content (i.e., the non-television aspect of the program) is not yet a clearly defined process with widely accepted, standardized rules and/or business models. This is an area that is still very much evolving.



As such, it is difficult to develop detailed criteria that would clearly define whether the convergent content was “original, value-added content.” Therefore, we recommend the adoption of general criteria similar to what has been developed with respect to several existing support programs such as the CTF and the Bell Fund, for example. Our recommended general criteria are as follows:

- i) The convergent content enhances the viewer experience of a television production and is made available to the public by way of a digital network, including internet and mobile;
- ii) The underlying rights to the convergent content are owned and significantly and meaningfully developed by Canadians;
- iii) The convergent content is produced in Canada, with at least 75% of its Eligible Costs being Canadian costs;
- iv) International co-productions may be eligible where there is an acceptable degree of Canadian ownership and control;
- v) The mere on-line streaming of a television program will not qualify as convergent content; On-line streaming may qualify if such an option is combined with other options that enhance the viewer experience of a television production.

***Question 2: Should the criteria be identical for all projects or should they be varied on the basis of the nature of the content (drama, documentary, children’s and youth, variety and performing arts) and the platform used (Web, iTV, mobile, etc.)?***

Given the evolutionary nature of convergent content, we do not believe a one-size-fits-all approach would lead to an effective use of the limited resources available under the CMF’s Convergent Stream. Convergent content components for some television program genres (like children’s and youth, for example) are effective in terms of enhancing the viewers’ experience. In other genres, such components may be less effective.

We would recommend an approach based on the general criteria we noted in our answer to question 1 that would be applied by the CMF in a flexible fashion based on the genre of the content and platform used.

***Question 3: Should a minimum licence be required for the new platform component(s) for a convergent project? If so, what should this minimum be?***

Yes, broadcasters should be required to contribute a minimum licence fee. As a starting point, we recommend minimum fees of \$10,000 in the first year of the Fund (i.e., 2010-11), increasing to \$12,000 in year two and \$15,000 in year three.

The convergent component is expected to enhance a viewers’ experience of the television program and hence contribute to the program’s overall success. Considering that broadcasters are rewarded through the BPE system for having achieved success, we believe the cost of producing the convergent component of the television program should become an eligible, yet clearly and separately identifiable, cost in the global production budget.



**Question 4: Should the licences for the new platforms be separate from the licences associated with television, or could they be combined?**

We believe the convergent component should be a separate licence. This would reflect the fact that the broadcaster is licensing a right that is separate and distinct from the broadcast licence. As is outlined in more detail in the answer to question 3 under issue 3, meaningful safeguards will also need to be in place that (a) ensure an equitable sharing of the Canadian rights to the convergent component by the broadcaster and the independent producer and (b) fully preserve the independent producer's ability to exploit the international rights to the convergent component.

**Question 5: Should a minimum budget be considered for each component of a convergent project?**

Not necessarily. As noted above in Q2, we believe that the CMF should exercise flexibility with regard to the convergent component of the television program depending on the degree to which the convergent component is likely to contribute to enhancing the viewers' experience of the television program. The cost of developing the convergent component should become eligible in the global production budget and should be established by the producer in relation to how best to enhance the experience of the television program.

We would highlight the need to closely monitor the use of resources under the Convergent Stream going forward. In our view should resources used in support of the convergent component of a television program begin to significantly diminish the resources available for the television component, it could undermine achieving the Fund's primary objective of reaching audiences.

**Question 6: Should a level of market interest (financial commitment from a third-party, for example) be required for the new platform component of a convergent project?**

No. As noted above, we are recommending that the cost of developing the convergent component of a television program become eligible costs in the global production budget, and that minimum licence fee thresholds be set for the convergent component.

### **ISSUE 3: VIDEO ON DEMAND**

***Mechanism for Inclusion of VOD services in the CMF***

**Question 1: What is the mechanism to make VOD services an eligible distribution platform to the CMF? In the context of the CRTC making a distinction between TVOD and SVOD, are there considerations for the CMF to take into account?**

The VOD services sector in Canada is still a relatively small segment of the overall television broadcast industry both in terms of the number of services and with regard to total revenue. That said, between 2006 and 2008, the number of operating services grew by 35.3% (from 17



to 23) and total revenues increased by a very significant 128.7% (from \$53.6M to \$122.6M). It goes without saying that this segment of the broadcasting sector is growing fast. As consumers increasingly become accustomed to accessing content when and where they want it, it is safe to assume that this segment will continue to grow exponentially in the years to come.

As an increasingly important platform for reaching audiences, we support the notion of allowing VOD services to become eligible distribution platforms to the CMF, but only if they are required to play by the same rules that are now applied to linear broadcasters taking into account the specific non-linear nature of VOD services. This approach, we believe, would be consistent with the Government's key principles for the CMF to "reward success and require innovation," "focus the investment on what Canadians want," and "level the playing field."

We do not believe there is a need to differentiate between TVOD and SVOD as long as the viewership data collected in determining BPEs are reliable and the results are comparable to those collected with respect to linear broadcasters.

***Question 2: Would making VOD services eligible as distribution platforms mean the creation of a performance envelope system for VOD services providers? What objective criteria should be used in determining allocation of funds? If audience is considered a criterion, how would audiences be measured?***

No, with the exception of the historical access factor (which would have to be factored in over several years), we believe that VOD services should compete on the same basis as linear broadcasters if reliable data on VOD services can be compiled with regard to audience success, regional production licences and above-average licences.

Further, assuming reliable audience data can be compiled from VOD services (i.e., streaming, downloading or ordering), we have no doubt that it would be possible to figure out an appropriate and acceptable multiplier to determine total audience viewing to CMF-supported programs in a fashion that is equivalent to the audience viewership data currently collected and verified through BBM for linear broadcasters.

Given that VOD services have not had access to the CTF in the past, it will not be possible to apply the historical access weighting factor in calculating their BPEs. We believe this variable, however, should be factored into the BPE calculation for VOD services over the next 5 to 6 years as data becomes available.

### ***Potential Impact of New Business Models on the CMF***

***Question 3: What considerations should the CMF contemplate in the context of potential new models that would redefine the relationships between independent producer and broadcaster, broadcaster and BDU, independent producer and BDU, and between producers and unions and guilds?***

The CFTPA is strongly of the view that as the CMF contemplates new models brought about by the emergence of alternative viewing platforms, such as VOD and SVOD, it must ensure that



clear, meaningful and enforceable safeguards are in place to restore some measure of balance in negotiations between independent producers and broadcasters.

While the CTF has implemented a number of safeguards in recent years, broadcaster consolidation has rendered these safeguards generally ineffective in preventing undue exploitation of bargaining power by broadcasters vis à vis independent producers.

For example, it has almost become standard business practice for certain broadcasters to require that an independent producer agree to send a joint letter to the President of the CTF requesting a waiver of the CTF guideline that requires a “freeze” on the negotiation of additional rights until two weeks following the conclusion of the negotiation of the broadcast licence. A similar trend can be identified with respect to waiving the CTF guideline requiring that independent producers invest no more than 90% of their tax credits in the financing structure of a project.

In addition, the CTF Guidelines, as currently worded, may also be inadvertently and unintentionally enabling certain broadcasters to exercise control over the ability of independent producers to exploit the non-Canadian rights to a project. Because international distributors expect to acquire the additional rights pertaining to their territories, any unreasonable limitations or restrictions on those rights that are demanded by the Canadian broadcaster can put at risk the entire financing of a project.

As we have highlighted in our Executive Summary, there is a growing need to address some fundamental issues related to the BPE system and the fact that traditional broadcasters are the only triggers to access CMF funding. We urge the CMF to consider looking at alternative approaches to allow producers to trigger CMF funding in absence of a pre-sale from a Canadian broadcaster, particularly when projects are almost fully financed. Such an approach would be consistent with the new principles for the CMF and with the fact that many alternate platforms for distributing high-quality content to audiences now exist.

The CFTPA is fully prepared to work with the CMF and other stakeholders in developing safeguards that will help ensure a true business negotiation between broadcasters and independent producers. While we are open to exploring a variety of approaches, we believe that the safeguards that are ultimately adopted must achieve two key objectives.

First, the new safeguards must reverse the current trend of broadcasters obtaining additional rights for effectively nothing. Indeed, the fact that so many independent producers are giving up rights to increasingly lucrative new platforms such as VOD essentially “for free” speaks volumes about the current state of imbalance of the Canadian programming rights marketplace. The CFTPA and its members regard an equitable sharing of revenues (or equivalent arrangement) between the independent producer and the commissioning broadcaster(s) with respect to the exploitation of certain (though not all) additional rights within the Canadian territory as being necessary and appropriate. There is neither need nor justification for the “winner take all” outcome that currently prevails in most licensing negotiations.

Second, the Association regards it as critical that broadcasters not be permitted to leverage CMF funding for the purpose of acquiring non-Canadian rights to a project, or to otherwise impose licensing conditions that effectively prevent the independent producer from exploiting those rights internationally. Apart from the fact that with very few exceptions, it has been



longstanding industry practice that foreign rights be retained by the independent producer, there is simply no market basis for a Canadian broadcaster obtaining such rights in exchange for a domestic licence fee.

The CFTPA is confident that in adopting meaningful safeguards that achieve these two objectives, the CMF will foster a more equal and effective partnership between broadcasters and independent producers and will facilitate the transition to multi-platform rights exploitation, in both the Canadian and international markets.

## **ISSUE 4: AUDIENCE SUCCESS & RETURN ON INVESTMENT**

We would suggest that the CTF's BPE system does in fact already "favour projects that have achieved and demonstrated the most potential to achieve success, in terms of audience and return on investment."

### ***Question 1: How should "audience success", for the CMF's purposes, be defined?***

A large majority (i.e., 94%) of the production support available under the CMF is delivered via BPEs. This competitive system earmarks funds to broadcasters who have a successful track record of supporting Canadian programming and in reaching audiences with those productions. Moreover, this model respects the distinct business models of conventional, specialty and pay, as well as the educational networks, each of which are worthy of support and each of which have clear audience reach. The value of the broadcaster's BPE is determined taking into account audience success and above-average licences, in addition to other factors. Audience success is straight forward in terms of measuring how many viewers a program has reached. We recognize, however, that current audience measurement methodologies are not perfect and that issues currently exist with regard to pay and educational services. We trust that such issues will be resolved in due course. As a measure of market interest, the above-average licence factor is a clear indication of whether a broadcaster believes a program will be particularly successful.

Changes have been introduced to the BPE system in each year since its inception. We would highlight that given these ongoing changes, it is near impossible to clearly assess the impacts of each change. Once the new CMF is in place, we would recommend resisting the urge to tinker with the Guidelines unless there is a clear and pressing issue that needs to be addressed.

As such, we see no need to deviate from the current approach to defining audience success.

### ***Question 2: How should "ROI", for the CMF's purposes, be defined? Should ROI be determined solely in reference to money returned or should other benefits be considered, and if so, what benefits and how should they be measured?***

The notion of adopting a strict financial definition to gauge ROI is problematic from several perspectives. Some 70% of the CTF's production financing is currently made available in the form of licence fee top-ups. Licence fees top-ups are not a type of financial vehicle from which



future revenue is derived through exploitation. While it is possible for the CMF to adopt an approach whereby a greater proportion of production support (or, indeed, all of its production support) would be available in the form of equity, such an approach has several significant downsides.

First, compared to licence fee top-ups, equity investments are an expensive form of public assistance to manage for both the Fund's administrators and for producers. Equity contracts are more detailed compared to licence fee top-up agreements; they take longer to conclude and, hence, they typically incur greater legal costs. Reporting is also time consuming and more costly, particularly for a producer with a large inventory of CTF/CMF-supported projects. And lastly, some 5 to 10 years down the road the cost of reporting on an equity investment for some types of productions begins to far outweigh any financial return that may be realized by that property. In our view, this increased administrative burden and the cost it would entail would only serve to decrease the already limited funding that is available for production under the CMF. From a producer's perspective, the increased administrative responsibility would also detract from his/her primary function which is to produce the next program.

Second, the "grind" factor is also another significant disadvantage. That is, increasing the level of CMF resources made available in the form of equity would have a proportionally decreasing impact on the effective value of the Canadian Film or Video Production Tax Credit. This approach, again, would only serve to decrease the overall financial resources that are available to help build capacity in the production sector and, ultimately to produce quality Canadian television programming. Such an approach would undermine the Fund's ability to achieve its objective of giving viewers what they want, when they want it.

Further, simply converting the financial support vehicle from licence fee top-ups to equity will not in itself guarantee that the Fund will improve its financial ROI from the Canadian market. Since broadcasters are now typically demanding all domestic rights, across all platforms, for unlimited plays and for increasingly longer periods of time, the only way to achieve a return on investment is to exploit the program in other countries. While there are many examples of success in this regard, the fact that the CMF favors productions that are primarily targeted to the Canadian market can increase the challenge in exploiting those productions in foreign territories.

Moreover, to improve the potential of achieving greater financial ROI via equity, it would be necessary to complement the CMF's activities with new support programs that encourage increased exports. We believe that greater consideration must be given to ensuring that producers are fairly remunerated when a program achieves success, be it domestically or internationally. This, in turn, will help production companies grow to become stronger corporate entities. Stronger companies, not only provide more employment opportunities for Canadian creative talent, they ultimately also create better Canadian programming.

For all of these reasons we do not believe that adopting a strict financial definition to gauge ROI is an effective approach. We would recommend the CMF instead consider introducing other ROI factors that are more in line with recognizing program excellence. Such an approach has been adopted in the methodology for calculating performance envelopes under the Canada Feature Film Fund, whereby bonuses increase the value of performance envelopes based on the number of award nominations and wins a film achieves. While not financial in nature, we



believe such factors are nonetheless important indicators of a program's success and an appropriate means of measuring a program's return on the investment made by the CMF.

***Question 3: Should the definitions of “audience success” and ROI be different for each CMF-eligible genre, or for the English and French markets?***

As noted above, we are not recommending any change to the current method for defining audience success.

With regard to our recommendation of using critical acclaim as a factor to measure the Fund's ROI, we would see the necessity of adopting a different list of eligible festivals and awards for each genre.

***Question 4: Given the definitions arrived at, how should the CMF favour projects that have achieved and demonstrated the most potential to achieve success, in terms of audience and return on investment? Should this be done within the current BPE system or within an alternative system?***

The current system is intended to ensure that strong audience success in the domestic market is rewarded. We believe that this should continue to be the primary goal of the BPE system.

However, the majority of the CMF will continue to be allocated via the BPE system, and broadcasters are focused only on the domestic market. Couple this with the fact that broadcasters are increasingly demanding a broader breadth of rights across all platforms, and the potential to achieve any ROI from the domestic market is effectively reduced to nil. Increasing the potential for ROI, therefore, will require that we place more emphasis on encouraging greater exports.

The above said, predicting the export potential of a program at the financing stage is a challenging task even for seasoned experts. This risk is inherent to all television production, where not even Hollywood or the US networks can accurately predict success. To place CMF staff in a position to carry out such assessments is not a realistic approach.

As such, the CMF may want to consider introducing a new stream of funding to encourage producers to develop projects with more international potential by rewarding them for having achieved international export success. Such a funding stream could be modeled on the old Producer Revenue Sharing Program (PRSP) that existed years ago under the Canadian Broadcast Program Development Fund at Telefilm Canada. The PRSP earmarked the revenues achieved by a production to the producer of that production for use towards the development of future projects.

***Question 5: Should the CMF adjust its funding formula so as to make more or all of its contributions in the form of an equity investment or review its Standard Recoupment Policy?***

With regard to part of this question related to equity, please refer to our answers under question 2 above.



We believe that there may be merit in reviewing the Standard Recoupment Policy. For example, for the reasons we outline in our response to question 2 above, we believe that the CMF should consider allowing the CMF's equity position in a program to be transferred to the producer five years following its first broadcast, thus also bringing to an end any further obligation to report to the CMF. As noted earlier, after five years the cost of reporting on an equity investment for some types of productions begins to far outweigh any financial return that may be realized by that property.

***Question 6: Would ROI increase if producers and/or broadcasters were required to take greater financial risks in their projects, thereby being more motivated to achieve success? If so, should the CMF establish, or change existing rules to increase the financial commitments to projects required from producers and/or broadcasters?***

Producers are currently deferring fees and overhead, as well as investing almost all of their tax credits in the production of a program. A television program should be properly financed so that no deferrals occur, and so that tax credits can be kept outside a project's financial structure and be used for the intended purpose of building corporate infrastructure. We would note that the investment and risk a producer makes in the production is in addition to having taken considerable risk in the development of the program before it was green lit.

We note as well that producers are further at risk for:

- any overages incurred during production;
- any adjustments that may be made to the estimated tax credits when final audited cost reports are tabled both federally and provincially;
- any failure of any financing party to meet its obligations; and
- any fluctuations in currency and interest rates.

Further, consolidation in the television broadcasting sector and the unreasonable business practices that have emerged have had a very detrimental impact on producers' ability to finance their productions. Broadcasters now demand a broader breadth of rights to exploit that licensed production across all broadcast and online platforms, for ever-long licence terms and for

unlimited plays. This chronic and increasingly difficult problem has seriously undermined a production company's ability to develop its corporate capacity to a level where it would have extra financing to invest in a production. There exists very little financial flexibility for a producer to take greater financial risks in a production.



## **ISSUE 5: MARKETING & PROMOTION**

***Question 1: Recognizing that the CMF has a goal to build audience demand for programming that is produced for multiple platforms, how can promotion and marketing activities be encouraged and supported?***

The production of television programs occurs in a global marketplace that is extremely competitive and, therefore, it is a very high-risk financial venture. In this environment, the only way to give a television program (both its linear and convergent components) a chance to succeed is to ensure that it is adequately financed, properly scheduled or profiled, and aggressively promoted. One could develop the best show or convergent work ever made, but if it is not scheduled or promoted in a way that will make viewers likely to see it, and if viewers don't know to even look for it, it is surely destined to fall short of success.

As the calculation of envelopes under the BPE system is determined in part by audience success, there is already an inherent incentive for broadcasters to properly schedule, market and promote the television programs they trigger under the CMF to achieve the highest possible viewership and therefore the largest possible envelope.

In light of the above, we would highlight the need for the CMF to ensure that, in their contracts under the BPE, broadcasters not be permitted to demand that producers spend on any category, including marketing, that is excluded as an eligible expense under CMF guidelines.

***Question 2: Should marketing and promotion costs be made eligible in both the convergent and experimental funding streams, and, if so, should certain caps be considered?***

We do not believe marketing and promotion costs should be made eligible. Broadcasters already have an incentive in the calculation of their BPEs to market and promote the CMF projects they trigger. If promotion costs were to be made eligible, broadcasters could simply shift to the CMF those promotion costs they are currently incurring. This would directly translate to increasing broadcasters' bottom line and would effectively decrease the level of resources available to support production. Further, without any real incremental promotion or marketing from broadcasters, the goal of building greater audience demand will not be achieved.

***Question 3: If marketing and promotion costs are made eligible, should the CMF consider both national and international costs as eligible costs?***

As noted above, we do not support allowing marketing and promotion costs to become eligible costs. That said there is no doubt that greater success in the production sector de facto requires that independent producers increasingly penetrate foreign markets and increase exports. As such, we believe that the CMF should consider the idea of introducing an export development program which would assist producers in attending international festivals and trade events for the purpose of licensing CMF-funded programs to international distributors and foreign broadcasters.



**Question 4: Should marketing and promotion costs remain ineligible but be made a project eligibility requirement?**

No, we do not support making marketing and promotion costs a project eligibility requirement. Broadcasters have an incentive to properly market and promote the programs they support as the value of their BPEs are determined in part by audience success.

**Question 5: Should marketing and promotion costs be factored into envelope calculations? Should broadcasters be rewarded through their envelope for the marketing efforts they accomplish to promote CTF-funded shows?**

We do not believe that marketing and promotion costs should be factored into the calculation of the BPEs. Broadcasters in different sectors (i.e., conventional, pay and specialty, etc.) each have their particular audience reach. As a consequence, they each have their own specific marketing strategies for reaching their audience. Attempting to incorporate new criteria in the envelope calculation would only serve to increase the complexity of the BPE calculation when broadcasters are already rewarded for reaching larger audiences.

**Question 6: Should a distinct program be created to fund marketing and promotion activities?**

As noted above, we believe the CMF should consider introducing an export development program to assist producers in attending international festivals and trade events with a view to fostering increased exports.

**ISSUE 6: CONTENT IN THE CONVERGENT STREAM - ALLOCATIONS BY GENRE**

**Question 1: Should the CMF continue to allocate its program budget by genre and continue to allocate individual broadcasters' BPEs by genre?**

Yes. The need to ensure that minimum levels of production occur in all genres will continue.

**Question 2: Should the CMF continue to use the same four factors and associated weights in calculating BPEs for all genres, or should these vary by genre?**

Yes, the CMF should continue to use the same four factors and associated weights in calculating BPEs for all genres. We do not believe that the factors should be different for each genre.



***Question 3: Are the current genre allocations appropriate? Do the current rules relating to flex amounts and transfers provide an appropriate level of flexibility?***

Yes, the current genre allocations are appropriate. Yes, the current rules related to flex and transfers provide adequate flexibility.

***Question 4: Or, should the CMF let the market determine which eligible genres receive how much (i.e., should envelope holders be permitted to spend their BPE in any eligible genre at their discretion)?***

No. There is a need to ensure that a minimum level of production occurs in all genres. History has clearly shown that a pure market approach results in genre categories being under-represented in our broadcasting system. It is why the CTF was created in the first place.

## **ISSUE 7: DOCUMENTARY PRODUCTION**

***Question 1: How should the CMF ensure the realization of the Government's intent (i.e. prevent "slippage" of CMF-funded documentaries towards "reality" or "lifestyle" programming)? Should the CMF interpret existing (or modified) definition(s) of documentary more strictly, so as to exclude lifestyle and/or reality programs from funding? Or are other measures required?***

Appendix A to the 2009-2010 BPE Guidelines sufficiently defines a documentary program in its exclusion of lifestyle and reality programming as well as its interpretation of what does not constitute a point of view (POV) documentary. We would not recommend a more narrow interpretation as this may have unintended consequences. Reflections, observations and examinations of issues, themes, events or stories about society and culture are characteristics of documentary programming that distinguish it from other forms of programming. Incentives that would support more feature-length and POV documentary programming would assist in preventing any "slippage".

***Question 2: The Government's decision also places emphasis on projects that "have achieved and demonstrated the most potential to achieve success, in terms of audience and return on investment." Should documentaries in general, or feature length and/or auteur/POV documentaries in particular, be exempt from this approach?***

Yes, documentaries should be exempt from this approach, unless additional measurement techniques are used to balance the assessment. This question speaks directly to the role documentaries play in Canadian society. Success measured only in terms of audience and return on investment may not necessarily capture the true and complete value of documentaries to Canadian culture. As previously noted, there are other metrics that may be appropriate to measure success. The social impact and educational importance of documentaries is significant and needs to be taken into account. Critical acclaim is also a vitally important metric. Festival and awards show nominations and wins should be considered



priority factors when determining the overall success of a documentary. Nonetheless, POV and feature documentaries, being issue or socially-oriented, can be quite successful at the box office, at home and internationally. Success in the international marketplace is two-fold; not only can there be financial success, but the opportunity to showcase Canadian documentaries to the world is a measure of success that should also be taken into account. We would, therefore, recommend a holistic approach to the evaluation of success.

***Question 3: Given that lifestyle and reality programs often achieve significant levels of audience success, how should the CMF best reconcile this policy intent with the aforementioned directive concerning "slippage"?***

Since the POV envelope was eliminated, there has been a drastic reduction in the number of POV documentaries produced. The CMF could implement a funding stream for specific POV documentaries which would provide a measure of predictability for the independent production community and a level of assurance that POV documentaries are an essential element of Canadian programming. Incentives to increase feature-length and POV documentary production would increase the opportunity for success. However, as discussed above, the measurement of success in strict market terms only is not applicable to documentaries.

***Question 4: Are the calculation factors and weightings used to calculate the Broadcaster Performance Envelopes still appropriate for the documentary genre?***

Performance factors (audience success, historic success, regional production licences and above average licences) continue to be appropriate for the documentary genre to a degree. As discussed above in our answer to question two, audience success is not the most appropriate metric to determine the value of documentary programming.

***Question 5: Are the current Essential Requirements still appropriate for documentaries in general, or feature length and/or auteur/POV documentaries in particular?***

We believe that the emphasis on POV programming is appropriate and the flexibility to produce 2ER documentaries is essential. We recommend that there should be more room for 2ER documentaries. In fact, more flexibility would enhance the ability of a filmmaker and/or producer to maintain the authenticity and integrity of their documentaries. Canadian stories cannot always be restricted within the borders of Canada. We further recommend expanding the requirements for POV documentaries in order to ensure that filmmakers have the flexibility they need. A documentary will have a Canadian POV where Canadian key creatives and/or producers have creative control and are expressing their view.

***Question 6: Could the introduction of in-house production, combined with the potential for increased access for broadcaster affiliated production, reduce the number of independently produced auteur/POV documentaries? If so, are there any measures the CMF should take to mitigate this?***



Yes, in our opinion, in-house production and broadcaster-affiliated production have the very real potential to reduce the number of independently-produced POV documentaries. The number of broadcasters who licence or organizations that fund POV documentaries has decreased dramatically in the last couple of years. Funding cuts to the Canadian Independent Film and Video Fund (CIFVF), as well as the closure of the documentary unit at CTV and the cancellation of CBC's award-winning documentary program, The Lens, have negatively impacted the independent production community. Further, the remaining documentary programs at CBC are not primarily POV-driven. This dramatic shift in the financing landscape, in tandem with the introduction of in-house production, can only serve to reduce the diversity of voices and stories told to Canadian audiences.

We have suggested appropriate and reasonable safeguards related to both broadcaster-affiliated and in-house production under issue 10.

## **ISSUE 8: CANADIAN ELEMENTS OF CMF PROJECTS**

***Question 1: Are the four Essential Requirements and genre-specific exceptions still appropriate, do they provide the right balance, or should amendments be contemplated?***

Yes, the four ERs and genre-specific exceptions are still generally appropriate, as the current system has been working well to achieve the Fund's mandate.

***Question 2: If so, which, if any, of the following characteristics should the CMF consider?***

- a. Who owns and/or controls the project?***
- b. Who fills the key creative roles on the project?***
- c. Where or by whom is the bulk of the work on the project done?***
- d. What is the content/subject matter of the project?***
- e. Others?***

Please refer to answer to Q1.

***Question 3: Are these characteristics equally relevant to television projects and digital media/interactive projects? Should they apply to the convergent stream and the experimental stream?***

Yes, they are equally relevant to both television projects and the related convergent component. Yes, they should apply in the context of both the Convergent and Experimental streams.

***Question 4: Should the policy objective of favouring projects with potential to achieve success, in terms of audience and ROI, be considered in this discussion?***

No.



## **ISSUE 9: THIRD-LANGUAGE PRODUCTION**

***Question 1: In the context of the unique mandate of third-language television broadcasters to serve local communities, what is the most effective way to support third-language production? Through the creation of a Special Initiative stream of funding or through Broadcaster Performance Envelopes?***

We would support the creation of a specific pilot program through the Special Initiative Stream to support third-language production. We would note the need to ensure that any allocation to this pilot program be made “off the top” before the 1/3 French and 2/3 English allocations are determined. Further, we believe that projects supported by this pilot program should be in one of the four under-represented genres supported by the Fund.

***Question 2: What level of support would be appropriate?***

Until a proper assessment can be undertaken to determine relative demand for support, we would suggest that the resources allocated to the new program should not exceed \$2 million in the 2010-11 fiscal year.

***Question 3: In what eligible genres of programming is there likely to be demand?***

As noted above, the results of the pilot program could provide useful evidence against which to assess demand.

## **ISSUE 10: BROADCASTER-AFFILIATED AND IN-HOUSE BROADCASTER PRODUCTION**

### ***Mechanisms***

***Question 1: What levels should initially be set for access in order to encourage the right mix of broadcaster-affiliated and in-house production and independent production? Over what time period should these levels be gradually increased?***

Section 3 of the *Broadcasting Act* requires that the programming provided by the Canadian broadcasting system should include, among other things, a significant contribution from the Canadian independent production sector.

Both broadcaster-affiliated production companies and broadcasters have access to diverse sources of capital with which they can finance their production activities. They also have preferential access to audiences through their affiliated or proprietary television networks. Moreover, over the last number of years there has been a very high degree of consolidation in



the television broadcast sector, providing those very few remaining corporate entities with considerable market power as a result of their dominant position.

Independent producers do not benefit from the same economic advantages. Moreover, they are increasingly being squeezed financially by broadcasters who are demanding increasingly excessive licence terms. Broadcasters are insisting on longer licence terms often with unlimited plays, as well as the ability to air the same program on various broadcast outlets within their corporate holdings. They are pressuring independent producers to provide them with additional rights to a variety of new platforms including video-on-demand, broadband distribution, and online streaming.

Couple these realities with the fact that independent producers' access to CMF resources is effectively determined by broadcasters via the BPE system, and it is easy to understand why strong measures are needed to safeguard against the possibility of any further imbalance occurring between independent producers and broadcasters. We believe that only through such safeguards can the CMF achieve the key objective of "leveling the playing field" as set out by the Government.

As the data demonstrate in the consultation briefing notes, over the last few years very few CTF resources have been used in support of broadcaster-affiliated programming. It is particularly notable that that, between 2004-05 and 2007-08, broadcaster-affiliated production companies did not fully access the maximum allowable resources available to them.

Given this reality, we do not believe there is a need at this time to modify the maximum allowable access by broadcaster-affiliated programming.

The notion of allowing in-house production, however, is another matter entirely. Without specific safeguards and close monitoring related to in-house production we believe there is a very real possibility that broadcasters might further take advantage of the dominant position they hold in the Canadian broadcasting system, to the detriment of the independent production sector. We believe that this situation threatens to turn independent producers into service producers. A service producer is someone who is hired by the broadcaster to execute a program concept that the broadcaster has developed. In such cases, the producer is paid to oversee the production and post-production processes, but the development and exploitation of the product and associated rights stay with the broadcaster. Such a scenario surely cannot be considered to mesh with the principle of ensuring a diversity of voices in the Canadian broadcasting system. This situation may also seriously undermine the overall potential for success of projects in foreign markets, given that broadcasters typically do not carry out such export activities. Without safeguards, not only will the viability of independent producers be put at risk, but the key principle of rewarding success as set out by the Government will be undermined.

To guard against these possible threats, we believe that an absolute usage cap should be placed on each broadcaster's BPE, in that no more than a set percentage of the total value of BPE can be used to finance in-house production, be it by the broadcaster holding the envelope or by any other broadcaster. We recommend setting the maximum access cap at 2% for the 2010-11 fiscal year. Moreover, we recommend that broadcaster in-house production should respect all other CMF criteria to be eligible.



And lastly, we believe the CMF should closely monitor activities related to both broadcaster-affiliated programming and in-house production over the course of 2010-11 and issue a detailed public report at the end of the year on such activity. This report, in our view, should form the basis for any future action in this area.

***Question 2: Are there specific issues to be considered in relation to access by public broadcasters to the CTF either through affiliated companies or in-house facilities?***

No. We do not believe there are if the safeguards we proposed above are put in place.

***Question 3: Given the distinct nature of the French-language market, are there considerations that are particular to French-language broadcasters that should be taken into account?***

We defer this question to our producer colleagues in the French-language market.

***Safeguards***

***Question 4: Should any control mechanisms be considered?***

Yes. Please refer to our answer to Q1.

***Definitions***

***Question 5: Should the current CTF definitions for broadcaster-affiliated programming be modified?***

No.

**ISSUE 11: PERFORMANCE ENVELOPES - ELIGIBLE ENTITIES**

In our executive summary, we have highlighted a growing problem with the BPE system. We urge the CMF to consider looking at alternative approaches to allow producers to trigger CMF funding in absence of a pre-sale from a Canadian broadcaster, particularly when projects are almost fully financed. Such an approach would be consistent with the new principles for the CMF and with the fact that many alternate platforms for distributing high-quality content to audiences now exist.

***Question 1: What criteria should the CMF consider to determine which Canadian distribution entities should have access to performance envelopes in the convergent stream?***

We see no need to deviate from the current criteria or methodology for awarding envelopes. Should any distribution platform meet the criteria to obtain an envelope and is successful in doing so in this competitive system based on reliable and verifiable data, it should be awarded



an envelope. With a view to ensuring the playing field is level between all distribution entities, they should all play by the same rules.

**Question 2: Should the criteria be identical for all entities in the convergent stream or should they be varied on the basis of ownership or affiliation (whether or not they are linked to a broadcaster) and the platform used (Web, mobile, etc.)?**

Yes, the criteria should be identical (or as identical as is possible) to ensure a level playing field between distribution platforms. That said, it will be necessary to closely monitor for any adverse effects related to diversity and related-parties.

**Question 3: Insofar as a distribution entity on new platforms is not associated with a broadcaster, what criteria should be used to determine eligibility?**

None. Please see our answer to Q2.

**Question 4: Are the existing performance factors for television projects (audience success, historical access, above-average licences, regional production licences) relevant for the new platforms (convergent projects) or should they be adapted?**

With the exception of historical access (which new platforms, of course, do not have), the performance factors are relevant for new platforms.

## **ISSUE 12: AUDIENCE SUCCESS AND THE CMF - EMPHASIS ON ORIGINAL, FIRST-RUN, PRIME-TIME PROGRAMMING**

### ***Definition of "original" telecast***

**Question 1: Should this refer only to the initial airing of each new episode of a program on the first broadcaster, as per industry standards? If not, how should this term be defined and what is the rationale?**

### ***Definition of "first run"***

**Question 2: Should this refer only to the first time each new episode of a program airs on the first broadcaster (i.e. should the terms "original" and "first run" be deemed synonymous)?**

**Question 3: Should this refer to the first time each new episode of a program airs, on a broadcaster who co-licensed the project (license fee within the project's financial structure), i.e. second or subsequent window on different broadcasters?**

**Question 4: Should this refer to the first time each new episode of a program airs, on a broadcaster who acquired licence fees to acquire the program (license fee outside of the project's financial structure)?**



### ***Definition of “prime time”***

***Question 5: Should this refer to Monday to Sunday 7 p.m. through 11 p.m. for all program genres?***

***Question 6: Should exceptions be made for programs in the children’s and youth genre since viewing behaviour for this demographic is vastly different from those of adults?***

***Question 7: In situations where broadcasters’ signals are delivered via a single feed (7 p.m. - 11 p.m. in Ontario and 4 p.m. - 8 p.m. in B.C.) as compared to a broadcaster with an eastern and time-delayed western feed, should prime time be defined by the location of the originating signal, or the location of viewing?***

### ***Audience Success Mechanisms***

***Question 8: In order to meet the new criteria of supporting original, first-run programs in prime time, should the current measure of audience success be modified? Would providing a “bonus” for programs meeting the criteria be one option? What type of weighting would be attributed to “original” telecasts in relation to “repeat” program telecasts? What type of weighting would be attributed to “original telecast in prime time”?***

***Question 9: If “original” telecasts were to receive an additional bonus in the calculation of total hours tuned towards the audience success factor, would this provide sufficient incentive for broadcasters to provide this level of information to BBM Canada every week? How would this information be verified by a third party for accuracy?***

### ***Video On Demand***

***Question 10: If, in the future, VOD services contribute license fees to an eligible project, how would “original” be defined? Would a certain “premier period of eligibility” be accorded to the service (wherein all orders downloaded during that window would be considered “original”)?***

***Question 11: Would an extended “window” be fair treatment when compared against linear television?***

We do not believe it is necessary to answer each individual question in this area. Instead, we offer the following as our overall response.

The CTF since its inception has always only had an emphasis on supporting original, first-run programs that were aired in a prime time schedule appropriate to the genre. Stated another way, every television program ever supported by the CTF (whether it was a one-off or part of a series) was original and had a first-run in prime time. We agree with the Department of Canadian Heritage that the CMF going forward should not deviate from this approach.

As the main mechanism for delivering assistance under the CMF, the current methodology for calculating PBEs not only rewards broadcasters for having supported projects that have achieved success but, given the competitive nature of the envelope system, encourages them to trigger subsequent projects that demonstrate the most potential to achieve success. We support maintaining the current approach as it relates to the audience success factor in



calculating the PBEs. In a world where PVRs and on-demand viewing is quickly becoming the norm, when and how someone watches a television program becomes increasingly irrelevant. What matters, ultimately, is whether someone is in fact watching.

While the current approach generally works well across all broadcaster categories, we believe that there is a need to update the definition of prime time to ensure maximum audience exposure. We recommend that the new definition be from 8pm to 11pm, Monday to Friday, and from 7pm to 11pm on Saturday and Sunday.

## **ISSUE 13: ENGLISH REGIONAL PRODUCTION**

***Question 1: Is there a need to review and modify the definition of “region” and “regional production” with a view to achieving consistency across CTF programs?***

No, there is no need to review or modify the definition of “region” or “regional” in the Convergent Stream at this time. The regional production licence fee weighting factor in the BPE system offers a significant incentive to broadcasters to support projects from the regions. Moreover, the Production Incentive (the budget for which this year was doubled to \$10M), which is not directly linked to the BPE system, is nimble enough to be able to quickly adapt to shifts in the market, thus helping to redress production declines of more than 20% based on the five-year production average. Moreover, we believe that the five areas defined under the Production Incentive program remain appropriate. It is still too early to assess the impact of the Production Incentive. We nonetheless believe this measure should be monitored closely.

***Question 2: Should Vancouver be considered to be a region or should BC production outside of Vancouver be considered regional?***

As noted above, we believe that the five areas defined under the Production Incentive remain appropriate.

***Question 3: Does the regional factor weight of 20% require review? Should the factor weight remain the same or should it be adjusted upwards or downwards?***

No. It should be maintained at 20%.

***Question 4: Should there be a condition established whereby broadcasters eligible for the regional credit are required to spend these funds on future regional productions?***

No. We believe that appropriate measures have been put in place to encourage production in all regions of the country.



***Question 5: Is the regional factor within the BPEs the most effective vehicle for encouraging regional production in the long-term?***

The regional production licences factor within the BPE system and the Production Incentive are appropriate incentives for encouraging regional production.

***Question 6: Is the PI the most effective vehicle for encouraging regional production in the long term?***

Please refer to our answer to Q5 above.

***Question 7: For the CMF convergent stream, should both components of a project – television and digital - be regional in order to qualify as a regional project?***

No. We are recommending that the costs associated with the convergent component of a television program become eligible costs within the global budget of a project. As such, whether a project is “regional” should continue to be based on where the producer is based and where principle photography is carried out.

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