

November 20, 2013

Valerie Creighton
President and CEO
Canada Media Fund
4-50 Wellington Street East
Toronto, Ontario M5E 1C8

Dear Valerie

On Screen Manitoba thanks the CMF for its efforts to connect with the media production industry throughout Canada, to review CMF program policy and practices, and to discuss any modifications necessary to maintain their effectiveness. The CMF's overarching mandate to ensure the development and production of under-represented genres from all regions of Canada and in both official languages is very important to our members. As an organization On Screen Manitoba is strongly committed to the importance of diversity of voice and the creation of Canadian content through regional production. Notwithstanding broadcasters under use of development funding and ongoing challenges to increase regional production, On Screen Manitoba believes that on the whole the CMF programs and guidelines are working. While we have a number of key recommendations, we do not support the addition or removal of any programs nor any reduction in funding to current programs other than those that may result from a redistribution of resources to address inequities discussed below.

As a regional production association On Screen Manitoba represents production companies, service suppliers, unions, guilds, producers, writers, directors, training organizations, film festivals and other industry professionals. Our members include people from Aboriginal, Francophone and Anglophone communities and they work in all genres and formats. On Screen Manitoba urges the CMF to adopt several basic principles that we believe would increase both regional development and production for scripted and unscripted content. These principles are clearly laid out in MFM's July 18, 2013 letter. The first being that at minimum 40% of broadcaster development envelopes (BDEs) should be spent on regional development. This minimum could be achieved through the:

- Establishment of a broadcaster cap;
- Establishment of a production company cap;
- Establishment of a consequence for broadcasters that do not spend their regional development fund. Essentially a "use it or lose it" approach. Unused regional development monies from one broadcaster would be provided to other broadcasters that have met their 40% minimum spend.

While the letter from MFM speaks only to development, On Screen Manitoba proposes that the same principles could be applied to broadcaster production envelopes.

The CMF, in its current form has the potential to be responsive while providing stability in a context of rapidly evolving digital technology, changes in audience behaviour and impending changes in government and industry stakeholder regulations and policies. In order to be responsive to a changing marketplace, On Screen Manitoba supports the CMF in the exploration and establishment of new market triggers, including online broadcasters.

Below is a more detailed discussion of our recommendations in regard to Performance Envelopes, Documentary Production, Funding Mechanisms, the Experimental Fund, English Regional Production and Selective Funds.

Performance Envelopes

Factor Weights

On Screen Manitoba agrees that it is in the best interest of all stakeholders to produce Canadian content that is engaging and that will attract large audiences including international audiences; however, we feel strongly that large audience numbers are just one indicator of success. We support maintaining the current 55% factor weight (combined A-THT and A-OFR) and we urge the CMF to continue to balance audience numbers against the CMF's overarching mandate.

Large integrated broadcasters, the public broadcaster and smaller independent broadcasters all have a role to play in fulfilling the CMF mandate. We believe; however, that the performance of broadcasters should be measured against like-sized broadcasters. Small independent broadcasters and the public broadcaster support the development of regional production and should be rewarded for this investment despite potentially smaller audiences.

With the removal of the above-threshold licence factor weight, producers have seen a significant drop in production budgets. On Screen Manitoba supports the re-introduction of the above-threshold licence factor weight to reward broadcasters that provide significant contributions to production budgets.

Digital Media Content

In regard to digital media (DM) requirements in the convergent stream, On Screen Manitoba would support a rationalization of the approach that would hit overall CMF targets of 60%, but that would require DM only on projects where that inclusion will serve to enhance the content and the audience experience. As was noted in the working group sessions, while the public may be watching Canadian content on a variety of platforms it is still linear productions that are attracting audiences. On Screen Manitoba believes that focusing resources on linear stories, and attaching DM only where it enhances the content and audience experience, will result in better quality productions and larger audiences.

We encourage the CMF to clarify DM requirements to reflect that DM is essentially a means to increase audience engagement through social media, while providing additional opportunities to enlighten and entertain. DM is essentially social media in today's marketplace. This involves a long-term commitment to maintain websites and other social media tools that far outlives the actual broadcast of the production. This requires a different approach to financing as there is no "final cut" with a social media platform.

On Screen Manitoba supports maximum flexibility to determine which projects lend themselves to the development of a digital media component. Broadcasters together with producers are in the best position to determine when a project requires a rich and substantial digital media component. We believe that with greater flexibility broadcasters and producers could focus limited resources where they will best enhance the audience experience.

Documentary

In terms of factual production we share some concerns raised by DOC. We agree that some factual programming can easily be funded and is readily available in the Canadian broadcast system and therefore cannot be considered "underrepresented". We ask the CMF to take a balanced approach, providing much needed funding to ensure documentary can continue to be produced with high production values that are more likely to ensure success.

We support DOC's proposal to increase the percentage of English language development funding for documentary to a level equivalent to the percentage for documentary production.

In regard to eligible documentary costs, On Screen Manitoba supports DOC's request that non-Canadian consultants and experts be considered an eligible cost. This modification recognizes that Canadian producers deal with international issues of interest to Canadians. Sometimes such productions could be enhanced with the inclusion of an expert who brings a global perspective, or specialized knowledge, not readily available through a Canadian expert.

In regard to the POV Fund, On Screen Manitoba agrees with DOC's proposal to reward broadcasters that do one-off productions by aligning English language licence fee thresholds with those established for the French language market. This would address the need for an English licence fee threshold cap, encourage diversity of voice and potentially increase opportunities for regional production to develop relationships with broadcasters through one-offs.

On Screen Manitoba supports DOC's recommendation to reduce market weight factors in favour of an increased focus on the creative elements of the project, the production team and the program objectives for the POV Fund.

On Screen Manitoba also supports DOC's proposal to remove DM requirements for POV projects, as POV's typically do not warrant DM investments.

Finally, On Screen Manitoba is interested in exploring new opportunities for distribution and development. We support DOC's proposal to allow foreign broadcast licences, crowd-funding and other third party investments/contributions as a trigger to reach threshold for the POV fund as long as a Canadian broadcast licence is within the financing structure. We appreciate and support the CMF's willingness to accept producer-led four-wall distribution as a trigger for the POV fund.

Funding Mechanisms

Recoupment

The CMF public-private funding model has provided much needed financing to Canadian production for many years; however, we recognize that its revenue has dropped in recent years in part due to the BDU's diminished contribution. We understand also, that in a climate of fiscal restraint, public funding may be reduced. We recognize that recoupment on equity investment is a potential revenue source that could be further developed to the benefit of all industry stakeholders, including producers.

It is certainly a measure of success when a Canadian production is sold in an international market, but not all underrepresented genres sell at international markets. However, we urge the CMF to maintain an equitable balance between support for content that is likely to recoup and support for content that is unlikely to recoup but that fulfills the CMF's cultural mandate to support the production of Canadian content in all regions and both official languages. In recent years there has been an erosion of local programming and we believe there is significant value in supporting productions that are aimed exclusively at Canadian audiences.

On Screen Manitoba agrees with the CMPA in opposing the informal proposal for recoupment raised in the Funding Mechanisms Working Group on October 10, 2013. Canadian producers while taking an innovative approach to increasing production financing within the CMF framework, have limited options. Distribution advances and producer tax credits are the only funds available to close the financing gap on productions. A shared recoupment tier would hamper producer's ability to attract international investment and distribution deals. Distributors would not accept agreements that had them waiting to recoup their advances. Producers are equally in need of first tier recoupment on tax credits to build equity in their companies, which in turn allows them to invest in the development of new projects.

On Screen Manitoba fully understands the need to demonstrate recoupment on equity investments and would welcome the opportunity to work with other industry stakeholders to explore fresh approaches to recoupment that would meet the needs of equity investors, broadcasters, distributors and producers. As a first step in that process, we echo others in the Funding Mechanisms Working Group in asking for more detailed statistics to determine which projects are currently selling in international markets and to analyze why some projects are more successful than others. Until further research is completed and any proposed changes are accompanied by financial modeling, On Screen Manitoba urges the CMF to maintain its current policy on recoupment.

Funding Formula

On Screen Manitoba supports the CMF using top-up licence fees rather than increased equity to finance projects. Moving a portion of the current top-up licence fees to an equity investment will not necessarily result in increased recoupment on equity for the CMF as equity investments are ground by the Canadian Film and Video Production Tax Credits resulting in a lower real dollar investment in the production as compared to a licence fee top-up. The value of equity investments can be eroded further as contribution agreements and reporting requirements on equity are a greater administrative burden to both the CMF and the producer than that required for licence top-ups.

On Screen Manitoba was interested to see the statistics regarding small and large production companies. While small companies everywhere face similar challenges; regional production companies, both large and small, are faced with challenges that production companies in the centre do not share. There is an inherent bias in a system where broadcasters are concentrated in a single centre. Regional producers simply must work harder and spend more on travel to connect with broadcasters and distributors. Diversity of voice can come both from the centre and from the regions, but small and large companies working in the centre cannot truly provide a regional perspective. On Screen Manitoba is opposed to an exclusively corporate-driven model that does not take into account both cultural and economic considerations.

Experimental Fund

On Screen Manitoba is pleased to note that regional interactive producers in Manitoba and other provinces are increasingly successful in obtaining support from the Experimental Fund. We have noted though that Aboriginal interactive producers have not yet enjoyed this level of success. We support the Aboriginal Producers Alliance' recommendation that the CMF consider designating 5% of the Experimental Fund for qualifying Aboriginal projects.

Finally, in response to discussion in working group sessions, On Screen Manitoba agrees that some documentaries and potentially some fiction would best be expressed through an "experimental" approach. And, in response to interactive producers requesting access to the convergent stream during the Winnipeg Consultation, On Screen Manitoba agrees interactive producers may wish to develop linear content for some interactive projects. On Screen Manitoba believes that high quality content can come from many sources and be explored in a multitude of formats, and so would support the opening up of the experimental and convergent streams to both linear and interactive producers.

English Language Regional Production

We appreciate the CMF's commitment to ensure that regional producers have access to appropriate levels of funding and opportunity to access both development and production funding. We agree that a 40/60 split of CMF development and production funding between the regions and the centre is an acceptable minimum target. As discussed in the Regional Working Group Session, it would be useful to

measure the conversion rate of regional projects from the pre-development and development funds to production. Further research and discussion is also required to determine why broadcasters are not fully utilizing their development envelopes. We recommend maintaining both the development and the pre-development funds to ensure regional producers can continue to develop projects as other adjustments are made.

In order to reach the minimum 40% regional development and production target, we have a number of recommendations. We agree with the CMPA's recommendation to maintain the current the 25% Licence Threshold factor weight for the Broadcaster Development Envelopes (BDEs) and the 20% Regional Production Licence factor weight for the Broadcaster Performance Envelopes (BPEs).

On Screen Manitoba supports the CMPA's recommendation to phase in a 40% minimum to the BPE, matching the BDE target. We also support the proposal to increase the EPI allotment by 33.3% (from \$12M to \$16M) along with an equivalent increase to the English Language Minority fund from \$3M to \$4M in order to ensure the industry is not destabilized by production moving from one region to another as the new targets are introduced. Once the new 40% minimum BPE is established, we agree that it may be possible to phase out the EPI as long as the CMF's cultural mandate to support production in all regions of Canada and in both official languages can effectively be met.

The EPI has proven effective in attracting production to provinces that have experienced a low in production volume; however, we are concerned by the potential yo-yo effect resulting from unpredictable incentives. Factual producers, especially those working in documentary have found the EPI to be very useful in securing broadcaster interest. Provinces have noted that one strong fiction series can result in the loss of the EPI reducing an important production incentive for documentary producers and new projects generally. For these reasons, On Screen Manitoba would support some amount of the EPI being distributed to each region to encourage a minimum level of production in all regions.

As mentioned above we strongly support the recommendations put forward by MFM in their letter dated July 18, 2013 in regard to development. We believe that company and producer caps along with a use it or lose it approach would have an immediate and significant positive impact on both regional development and production.

Selective Funds

Pre-development Fund

Notwithstanding the underused portions of the BDEs, which On Screen Manitoba finds very concerning and that merits further discussion with the broadcasters and producers; On Screen Manitoba sees the Pre-development Fund as one of the most effective tools the CMF has introduced to level the playing field for regional production. The oversubscription of the Pre-development Fund speaks to the high need for assistance in this area. Our members appreciate the flexibility of the fund that allows them to make decisions about how best to move projects forward in terms of the materials required and the broadcasters they may approach. While it is too early to measure the number of projects that have gone from the Pre-development Fund into production; On Screen Manitoba members have at least been able to develop more projects with a variety of broadcasters. We recommend a longer period of advance notice as to when the fund will open to allow producers to prepare. We also recommend two deadlines annually.

Francophone Production Outside of Québec

On Screen Manitoba strongly supports ongoing funding for French language production outside of Québec. While we understand the logic that led to separating French language and English language production outside of Québec, we see that it is limiting the potential for some production companies to grow and expand their business. Currently, producers must choose between French or English language production in accessing CMF programs, yet in some instances a production lends itself to a “double-shoot” resulting in an original French language and an original English language program, a higher production value for both productions and a higher potential for sales. We request that the CMF consult with industry to explore how bilingual production could be supported.

Aboriginal Language Fund

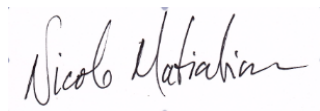
In light of the oversubscription to the Aboriginal Language Fund, On Screen Manitoba supports the recommendation of the Alliance of Aboriginal Media Producers (AAMP) to increase the Fund from \$6.9M to \$9M. On Screen Manitoba also supports the AAMP’s recommendation in regard to enhanced support for development to raise the project amounts from \$5,000 to \$15,000.

Further, since Aboriginal producers face ongoing challenges in selling their projects to a variety of broadcasters On Screen Manitoba supports the AAMP’s recommendation that a production top-up be established to incentivize more broadcasters to invest in Aboriginal production.

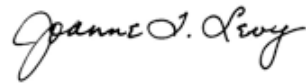
Finally, as a regional association our members play a key role in ensuring diversity of voice within the Canadian broadcast system. At this time of consolidation and vertical integration in the broadcast system we urge the CMF to take a balanced approach that recognizes the value of fresh perspectives and new approaches offered by regional production in both official languages, one-off productions, development of emerging talent and the specific skills found in small (broadcast and production) companies.

On Screen Manitoba appreciates the opportunity to provide its perspective in regard to CMF policy and guidelines for its programs and we look forward to continued discussion on this issues.

Sincerely,



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Chair

cc.: *Stéphane Cardin, Nathalie Clermont*