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November 18, 2013

Via e-mail: [info@cmf-fmc.ca](mailto:info@cmf-fmc.ca)

Canada Media Fund  
50 Wellington Street East, 4th Floor  
Toronto, Ontario  
M5E 1C8

**Attention: Valerie Creighton, President and CEO**

**Re: Canada Media Fund – 2013 Industry Consultation**

Ontario Media Development Corporation (OMDC) is pleased to file the attached as part of the Canada Media Fund's (CMF) consultation process regarding new program guidelines for 2014-15 and beyond.

We would like to thank CMF for this opportunity and we would welcome the opportunity to continue this dialogue with CMF as you finalize your recommendations.

Sincerely,

A handwritten signature in black ink, appearing to read "Karen Thorne-Stone".

Karen Thorne-Stone  
President and Chief Executive Officer  
Ontario Media Development Corporation

## **Canada Media Fund – 2013 Industry Consultation**

Ontario Media Development Corporation (OMDC) is pleased to submit the following comments as part of the Canada Media Fund's (CMF) consultation process regarding new program guidelines for 2014-15 and beyond. OMDC, an agency of the Ontario Ministry of Tourism, Culture and Sport, encourages innovation, investment and employment in the province's \$12.4 billion Entertainment and Creative Cluster (ECC). Through a unique and effective toolkit of tax credits, programs and services for the film and television, book and magazine publishing, music and interactive digital media industries, OMDC maximizes opportunities for growth in Ontario and abroad and has been successful in delivering effective support to build the capacity and competitiveness of Ontario's creative media industries.

### **Introduction**

The Government of Ontario's media tax credits, administered by OMDC, are an important source of financing for many kinds of content creation. In fiscal 2012-13, OMDC issued over 1,700 tax certificates valued at nearly \$428 million to support content creation in Ontario's cultural media industries. OMDC also invested directly in screen-based domestic content in 2012-13 through the OMDC Film Fund and the Interactive Digital Media Fund. Fifty-six projects received production or development support through these programs.

As a Provincial Agency, OMDC is aware that the Agency and the producers we support are only one part of the overall broadcasting and interactive digital media landscape. The CMF has been an especially important part of this system. Though individual funding entities are independent organizations with unique policy objectives, they are also partners brought together by their support for domestic cultural content and ultimately serve the same stakeholders – content producers and Canadian audiences. Therefore OMDC offers the following comments in the spirit of working in cooperation with the CMF and with our stakeholders to promote the creation of Canadian content. In this submission we have limited our responses to those issues with which we are most familiar based on our experience as program administrators.

These comments reflect the concerns that we have heard from some of our stakeholders. However, OMDC recognizes that stakeholder perspectives vary and as such, we do not present these comments as representative of the views of our clients as a whole, nor are they intended to replace the viewpoints or submissions of individual stakeholders.

### **Funding Mechanisms: Preferable Recoupment Positions**

The CMF's current Standard Recoupment Policy (SRP) provides for preferential recoupment of provincial tax credits and for eligible distributors. With respect to CMF's recoupment policies, OMDC does not make equity investments in television content and is not tasked with an explicit objective to grow recoupment. However, given the OMDC's mandate and its role as the administrator of the Province's media tax credits, OMDC is supportive of a standard recoupment policy that maximizes company capitalization and that encourages and facilitates investment in Ontario's cultural media content. Corporate capitalization has been a long term driver of OMDC initiatives and this is reflected by our recoupment position in the OMDC Film Fund projects that we support.

While the CMF's current SRP may favour producers it also enables them to invest in their companies and in the development of new content. Further, it eases negotiations with other funding partners, particularly for foreign investment. Altering the CMF's recoupment position with respect to provincial tax credits and eligible distributors will only serve to make these important objectives more difficult for producers. We recognize the challenge CMF faces when tasked to increase recoupment revenues. However, while the screen-based content industries are growing, creating high-value jobs, and generating significant economic return for Ontario, they also face critical challenges in a marketplace of increasing consolidation contrasted by fragmenting audiences. The CMF's current approach to recoupment has contributed to the establishment of a financing structure that works well and any steps to alter this should be made very cautiously.

### **Support for Regional Projects**

In general, OMDC supports industry initiatives that seek to improve the overall environment for Canadian television producers to create world-class Canadian television content. And, while OMDC recognizes that the CMF has a national mandate, we urge the CMF not to adopt policies or funding criteria that are disadvantageous to Ontario companies. OMDC has consistently made public statements that reject the idea of a regional incentive system. For example, in our submission to the Canadian Radio-television and Telecommunications Commission (CRTC) hearing on group-based licensing, we stated the following:

OMDC urges the Commission to ensure that policies and regulations not disadvantage Ontario's producers in favour of regional incentives. Ontario's producers bring diverse voices and stories to the Canadian broadcasting system. Ontario is a well-established centre of excellence and policies and regulations that privilege those regions outside that centre run the risk of silencing these important voices and eroding the core strengths and critical mass that Ontario represents. Independent producers face business challenges no matter where they are located in the country and policies that create additional challenges for producers in specific communities make it more difficult for them to generate revenue, capitalize on their intellectual property and re-invest in their companies.<sup>1</sup>

It is our view that funding content of the highest quality, regardless of where it is produced, will enable CMF to contribute to a healthy Canadian independent television eco-system, which will benefit all Canadians through the creation of world-class content and economic activity. The key to developing and sustaining a strong Canadian production sector in the long-term is ensuring that the content we create is in demand and finds a market nationally and internationally. This requires that we fund the best possible content (compelling stories with high production values); not that funding decisions be based on the location of production activity.

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<sup>1</sup> [OMDC submission](#) to CRTC Broadcast Notice of Public Hearing CRTC 2009-411, *Policy proceeding on a group-based approach to the licensing of television services and on certain issues relating to conventional television*, September 14, 2009, page 5.

In the event that some form of regional production policy is required in order to arrive at a national consensus, then we believe that the following approach could result in the fair and equitable treatment of producers, regardless of where they are located in the country:

- i. *Eliminate the CMF ‘headquarter provision’ so that production companies have an incentive to shoot in the regions regardless of their office mailing address.*

The economic benefits of production in the regions and the goal of telling compelling Canadian stories can best be addressed by focusing on encouraging regional shooting days, rather than by restricting applicants based on their mailing address. The CMF goal of encouraging regional production could be achieved without the requirement that the content owner be based in any specific region.

The current requirement that companies be headquartered in the region in order to access regional funding contradicts economic development theory, which supports the clustering or co-location of complementary companies for talent incubation and economies of scale. Production activity in a region will help contribute to the goals of spreading the economic benefits of television production across the country through employment, skills development and the building of regional infrastructure, regardless of the company’s mailing address. The long-term sustainability of the Canadian independent television sector requires CMF to support the best in Canadian production, regardless of where a producer is based, and to ensure all creators across the country can reasonably be included in the economic and cultural benefits of its funding.

Such an approach could have the effect of balancing the importance of merit and quality in funding decisions with the objective of distributing production activity throughout the country.

- ii. *Treat “regional Ontario” (any area more than 150km from Toronto) as a separate entity for the purposes of CMF’s English Production Incentive (EPI).*

According to CMF guidelines, Toronto is the only English language production centre in Canada.

Since CMF calculates production by province, and the majority of Ontario’s production activity occurs within 150 km of Toronto, Ontario producers working outside of this area are effectively disadvantaged. CMF data shows that ‘regional Ontario’ (more than 150 km from Toronto) over the past five years has had approximately 1% of the national production activity. However, these regional Ontario producers cannot access the EPI due to the relatively higher levels of production in Toronto and surrounding area which skews the Ontario data. If regional Ontario were considered a distinct region, it could be eligible for the EPI as CMF’s policy is to provide a minimum incentive for provinces or territories “with production activity of less than 1% of the national total.”

If CMF treated regional Ontario as a separate entity, it would encourage greater distribution of regional production across the country.

### **Digital Media Coproduction Incentive**

A critical issue in the development of new guidelines for the CMF will be achieving a balance between the independent television and interactive digital media sectors and their respective potential and needs, especially given the significant over-subscription of both the Experimental and Convergent Streams. While we acknowledge the difficulty the CMF will face in balancing support for both industries, we strongly encourage a style of support that, as a basic principle, allows the interactive digital media industry to continue to grow while, at the same time, maintains existing support for the television industry.

Finally, we would like to commend the CMF on continuing to support digital media industry growth with initiatives that target specific business opportunities, such as the recently announced framework to facilitate co-production and the establishment of the Digital Media Co-production Incentive. Unfortunately, these initiatives are incompatible with current Ontario Interactive Digital Media Tax Credit (OIDMTC) legislation and this may have a negative effect on program demand. OMDC would welcome the opportunity to work with CMF and other partners to develop compatible strategies in the future.

### **Conclusion**

Thank you for seeking our comments on these issues. We are providing this input for CMF's consideration as you work towards new program guidelines for 2014-15 and beyond and the comments in this submission reflect our experience as program administrators for the screen-based content creation industries as well as the comments and concerns we have heard from some of our stakeholders. We would welcome the opportunity to continue this dialogue with CMF as you finalize your recommendations.