

CMF Industry Consultation 2013

Stitch Media - Public Response

First of all, we would like to thank the Canada Media Fund for going to such lengths to encourage industry feedback. It is a privilege to be able to respond to this consultation and we look forward to the outcome.

We write this response with great optimism. We have the opportunity to meet international partners who are extremely envious of the forward thinking in the Canadian media landscape. Over the past decade Canada has become the #1 location for interactive digital media, presenting an opportunity to exert influence globally in this nascent market.

The Canada Media Fund framework's top 3 issues

1. The Convergent Digital Media Incentive requires a matching 15% cap on in-house production.

When the Canadian Television Fund transitioned to the Canada Media Fund, the independent television production community made strong arguments that the Canadian cultural industry thrived on the 'diversity of voices' espoused by a strong independent production sector.

To acknowledge the importance of independent production, the CMF policy limited 'in-house production' (projects produced by broadcasters) to 15% of total funding within performance envelopes.

For some reason, this policy was not translated from television to the digital media sector when the CMF introduced the Convergent Digital Media Initiative, a fund which spent 14.4 million in 2012-2013 - more than the Bell Broadcast & New Media Fund in the same year.

What has occurred as a result is the precise outcome predicted by independent producers - the CDMI is controlled by broadcasters' in-house production teams (with the requirement of a broadcaster agreement) and this year 75% of all funding (in English) went to in-house production teams owned by broadcasters. (\$7.4 million of the \$9.8 million in 2012-2013 - [link](#))

In our opinion, the 15% cap must be applied to the CDMI for exactly the same reasons that the cap exists in the greater Convergent Stream. The CDMI accounts for 65% of all Convergent DM spending and has had a dramatic impact on the industry. This transition to in-house broadcast production has suppressed independent production in digital media and

we feel it has hindered one of the strategic goals of the CMF to transition linear video production into convergence, as television producers leave DM production to their broadcast partners and do not consider their IP as an independent convergent whole. Independent production has been one of the pillars of the CMF and should be encouraged in all aspects of production to ensure maximum convergence.

The reason we feel so strongly about this issue is that we have been present at many meetings where a conversation about a 'non-funded digital media component' is perfectly normal. The CMF has created a difficult Catch-22 that has trickled down directly to digital media producers - broadcasters are mandated to have 'rich and substantial digital media components' for their shows but are rarely instructed to set aside budget to ensure these components succeed in their goals (of creating & promoting Canadian content). Unfortunately this has set up a self-fulfilling prophecy of less-ambitious interactive components from the independent sector that fail to demonstrate the value in this symbiotic relationship.

Proposed solution:

Apply the 15% in-house production cap across the entire Convergent Stream, including the CDMI. This will immediately release significant funds to prevent 'non-funded' production as the status quo. Take this one further step to disallow non-funded production efforts, which have put independent producers (both TV and DM) in the challenging position of producing something for nothing.

2. In the Experimental Stream, producers are balancing between two distinct (and often opposing) ideals - innovation and business models. This creates two mandated variables which at their worst conflict (ie. this concept is so radically innovative that there is no proven customer base or vice versa), and at their best create a selective process which compares dissimilar projects.

In our opinion, this has been why the CMF Experimental stream has shown a strong bias towards supporting games (nearly half of all successfully funded projects). They can be innovative in their design but rely upon the established business/distribution of consumer purchase. They are *evolutionary* innovation in a growing market, but not *revolutionary* in creating new markets.

Proposed solution:

The CMF Experimental Stream has adopted language and norms from their television birthplace to create 'Development' and 'Production' stages. These have proven problematic in the iterative minimum-viable-product methods of digital media design/distribution and should likely be combined to streamline the fund(s).

An alternative would be to retain the separation and to clarify each with emphasized weighting. Transform the 'Production' stage into a cultural investment fund which supports projects that have a strong team and a strong business plan. Require fresh content the same way a new television series has new plots and characters, but support projects that fall into emerging genres such as casual games. Talk less about innovation and more about success metrics.

At the same time, transform the 'Development' stage into a true Experimental Stream which prioritizes revolutionary innovation, and understands that this long-term investment into Canada's first-mover advantage is just as valuable as immediate returns. Emphasize the need for 'leading-edge' concepts that may only be a test of future markets and not a pathway to the second-stage Production stage (although inevitably, this will be the case for some).

(Note: When implementing these changes, it is important to remember the Strategic Objective of the CMF in the creation of Canadian *content*, which operates under a distinct business model from technologies & platforms)

3. The selective process of CMF Experimental is an 'all-or-nothing' game

CMF Experimental applications are big, important documentation exercises - and they should be when considering the scale of the projects and budgets they detail. It can take us approximately 100 man-hours to prepare one, which is why we are shocked to learn that in this past year there were 324 rejected submissions. Potentially 32,400 combined man-hours went in to documenting concepts that never saw any return. With a 2000 hour-year as the industry standard, this means that the efforts of 16 people working in the Canadian digital media sector are completely missing from the industry *each year!* Compounding this are the efforts of juries and CMF employees to cope with this vastly oversubscribed fund.

Proposed solution:

Our preferred solution is to increase funding for the CMF Experimental Stream. It has consistently demonstrated significant demand for non-traditional media production and continues to be the most nimble Canadian fund to address the changing media landscape.

A less budget-focused solution may be to look at some form of tiered application process that would allow less upfront expenditure for what continues to be a highly sought-after fund. Secondary documentation such as project schedules, market analysis, etc - may be suitable for a second-phase application once the initial proposal (with a limited page count) has been assessed. Obviously any system will have its own issues, but it is hard to ignore the 79% of applicants who fully realize and document their projects without return.

Thank you again for the opportunity to give these opinions.
In response to other selected questions:

EXPERIMENTAL STREAM QUESTIONS

- Should innovation remain the main evaluation criteria?
 - Please see above.

- Should interactivity be a requirement for all projects?
 - Yes. Non-interactive content is well-served by other funds, and the Experimental Stream is already grossly oversubscribed. Opening the eligibility further would exacerbate the problem.

- Should projects related to television or film properties remain ineligible?
 - Yes. The Experimental Stream is already extremely oversubscribed and DM components of TV/Film should be financed through the Convergent Stream (see our opinions above on how the Convergent Stream is problematic for this).

- Is the Experimental Stream too focused on games?
 - In our opinion, yes - games offer content innovation but 'game' the Experimental Fund because of their established business model. If the CMF's goal is to foster an independent game industry then this should be made more explicit.

- Should additional eligibility criteria be introduced to reduce oversubscription?
 - The CMF Experimental Stream is oversubscribed because it has revealed a massive demand for media disruption in the Canadian market. Oversubscription due to open eligibility criteria should be a beacon that other programs are too restricted. Closing down applications by adding additional eligibility will serve to reduce the applications, but will not address the fact that the Experimental Stream has hit a vital nerve in the media production sector in Canada.

- Has the jury process worked well?
 - We have not been exposed to the jury process enough to comment fully, but we understand that it is difficult to source expertise outside a very connected industry. As applicants and participants, our only feedback is that we would like even more feedback - especially as there is a new regulation saying that our second submission of a concept is our last. This puts extreme pressure on the jury feedback to be thorough and comprehensive to ensure that our ultimate opportunity to apply is properly informed by this expert feedback.

- Should CMF continue to fund projects at 3 different stages?
 - We feel that the Development & Production phases are relics of the Experimental

Stream being under an umbrella of television production and should be removed. We have offered a suggestion for how these categories may be retained above.

- Are the maximum contributions per stage still appropriate?
 - Yes. Raising them would only make the oversubscription problem worse.
- Is the funding allocation to the Experimental Stream still appropriate?
 - In our opinion, no. It has generated critical acclaim and helped to establish Canada as the global leader in interactive digital media production. There is a significant demand for this fund in the industry and every market indicator shows consumers demanding more of this interactive content.

CONVERGENT STREAM QUESTIONS

- Is the requirement for value-added content the best way to support convergence?
 - Requirements are meaningless when there exists a loophole to force producers to provide it without a budget. We support the CMF's efforts in this direction but do not feel it has been implemented completely.
- Should CMF consider other activities or expenditures for purposes of qualifying a project as convergent?
 - We feel there is a slippery slope away from the intended convergence of television and digital media, in projects that simply produce more linear content for digital distribution and promotional material/media buys in the digital realm without actually producing original content for the secondary platform. For this reason, we would not consider other activities or expenditures as qualifying, adhering to the original goals of commissioning 'rich and substantial' media.