Canary in the Minefield

a report on the CMF and the regions

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Overview

"Overall, 24% of CTF funding in 2008-09 was directed to regional production, representing a nine percentage point decline compared to the average of the four previous years. This decline mirrored an eight-percentage point decrease in total budgets. These declines ***were entirely attributable to a decline in regional English-language production****."*[1]

These words inspired anger, worry or sad recognition in the hearts of regional producers across Canada when they were published, but they did not come as a surprise. They could see fewer productions greenlit locally, fewer people working, others getting out of the business altogether. It certainly felt like things were in decline outside the 'centres'.
The picture over the past decade, *when measured by dollars spent on production*, shows that not much has changed in terms of relative positions. Ontario, British Columbia and Quebec come out on top, with the rest of the provinces and territories jockeying for position at the bottom. Until recently, when measured in production dollars spent, producers in all parts of the country were riding pretty much the same modest roller coaster of boom and bust periods, but overall, Canadian domestic English language production *has* held more or less steady at roughly $1.5 billion for ten years.

Regional production -- if Vancouver and English Quebec are included as bona fide regions, if the numbers are adjusted for inflation and calculated as a percentage of the country's total production output, as of 08-09, according to the most complete figures that could be accessed – *is* in decline. Another dip of the roller-coaster? Or something more?

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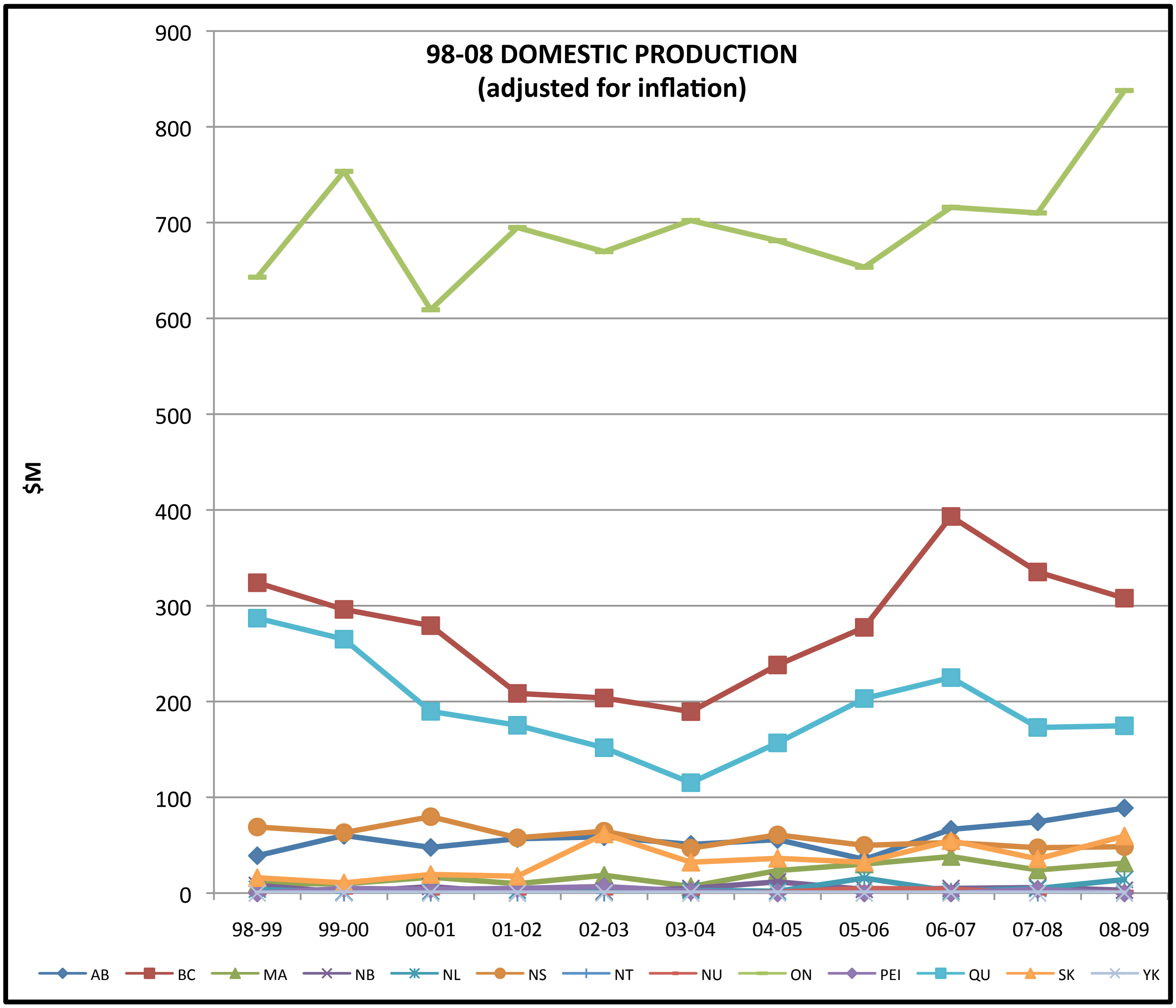
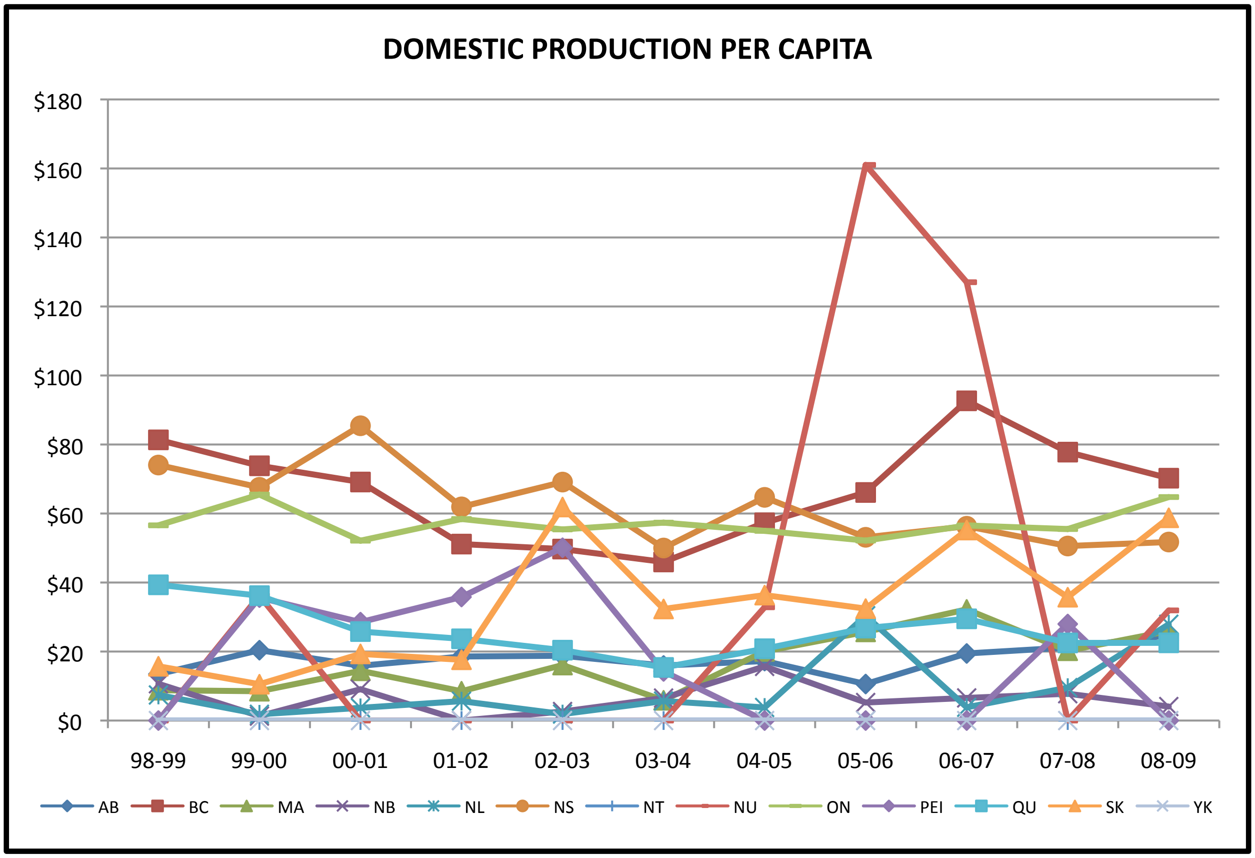
[1] CTF's Annual Report 2008-2009, page 55. (emphasis added)



At this point, it is worth raising a question beyond the immediate mandate of this study, but ultimately central to the whole discussion of Canadian production, namely *how do you define a healthy production industry, and how do you measure whether the industry is healthy?* Is it just about total production values? Given the available statistics, that's the measure currently available.

However, this approach does not take into account the changing nature of types of production, or the number of productions. Those measures have been cited anecdotally as important to gauging what's going on in the regions, and certainly have a bearing when trying to analyze the success of the English Language Production Incentive. More on that, and the collection of statistics later. but let's take another look at the production numbers – this time by population.



Looked at this way, NS, BC and Ontario are on top, with Saskatchewan on the rise. (Two productions gave Nunuvut, due to its industry's small size, its 05-06 spike.)

When English language production numbers in Quebec are calculated using the percentage of Quebecers identifying English as their mother tongue, the results showed $400 per capita – the highest of any part of the country. However, for the purposes of the chart, English language production is shown in relation to the province's total population.

Over the years, there have been suggestions that dollars collected through cable subscriptions should be reflected in the fund dollars coming back to that community. The following shows that picture for 2008.

	2008	%	%BPE	CTF#	%	+/-
Basic programming subscribers	in thousands	% subs	in $ millions by % subs	2008-09 actual	% BPE actual	
Atlantic provinces	534.9	8.6%	$15.71	$7.7	4.2%	-4.4%
Quebec	210.41	3.4%	$6.18	$17.0	9.3%	5.9%
Ontario	2,963.40	47.7%	$87.04	$118.5	64.9%	17.2%
Western provinces	2,492.90	40.1%	$73.22	$39.4	21.6%	-18.5%
Yukon, Northwest Territories and Nunavut	16.1	0.3%	$0.47	$0.0	0.0%	-0.3%
Canada	6,217.71	100.0%	$182.62	$182.6	100.0%	
BPE Stream			$182.62			

By this logic then, in 2008 Ontario got disproportionately more CTF financing than its subscriber base would warrant and the Prairies disproportionately less.

The Common Challenge

Though regional producers feel they have their own set of challenges, independent producers and provincial agency reps alike right across the country, regardless of where they are from, agree on certain things:

- In the current system, control of Canada's broadcast licences and other digital platforms are becoming increasingly centralized and consolidated
- On the TV side, broadcasters hold all the cards. They are aggressively negotiating for longer rights periods and for more control of rights beyond the basic broadcasts.
- Producers are left with little or no equity - just their fees if they are lucky.

In a political environment where one might expect to see small business championed, the opposite seems to be the norm. Canada's independent producers look at the American model of service producers working for large studios, and wonder if that model is the future for this country.

The regions are feeling drastic change -- perhaps because their companies tend to be smaller and their industry more tenuous. With the sudden downturn in BC, which once vied for top spot, and English Montreal, which started out the decade neck and neck with BC, more voices are added to the discussion of the challenges of production outside Toronto. Is regional production the canary in the mineshaft, or perhaps more appropriately, in the minefield, of a huge shift in Canada's content production model?

The Regional Dilemma

Given the wonderful shows that – despite the odds – have managed over the years to come from far-flung corners of the country, you'd think regional production would be going gangbusters. From the latest interactive digital media all the way back to old linear 16mm, we can all rhyme off the titles – Bioware's *Baldur's Gate* to HB's *Backyard Sports*, or in TV, *Corner Gas, Little Mosque, Doyle, Less than Kind*, *22 Minutes,* and many, many others, worthy heirs to Canada's iconic regional series pioneers like *Codco*, *North of 60*, and *The Beachcombers*. The list is huge – all hits, all heaped with awards and prizes, and all hailing from outside Canada's major production centres. The talent is there. The track record is solid. So what's wrong? And how do we fix the system? Moreover, how might these fixes be indicators of how the system as a whole might be retooled for success?

Study Background

Since its beginnings in 1996 as the Canada Television and Cable Production Fund (CTCPF), the Fund has had a regional mandate. The 1996-97 Contribution Agreement with Heritage clearly stated that the Fund must "provide incentives for regionally-based productions as defined by the program Guidelines" and to "ensure a minimum amount of funding support to regional productions." Likewise under the new Contribution Agreement - the CMF must "ensure funding support to regional television convergent productions." Clearly, the CMF has a regional mandate.

In preparation for Fall 2010 consultations around the CMF program guidelines, senior management launched this review to see how the Fund has provided support for English language regional production historically, and to get an idea of the current thinking of key stakeholders from across the country. Geoff LeBoutillier of Lowenbe Holdings (Nova Scotia) and Jane Bisbee (Alberta) were charged with the task. This report was based on an extensive literature, statistical, and contextual review, and over sixty in-depth interviews during August and September.[2]

So what is "regional", anyway?

As noted in the CMF's 2009 Industry Consultation Briefing Notes, the definition of "region" and "regional production" is a moving target, changing depending on the agency, institution or program using the term. Even the CMF itself has different definitions across its programs. "For example, English production guidelines consider areas outside of Toronto and Montreal to be 'regional', while for development financing, Vancouver is also considered to be a production centre, and not defined as regional."[3] The development guidelines also include any part of Vancouver Island as regional.

Over the years, endless amounts of time and effort have gone into trying to find a definition of regional production that does not anger one camp, or leave out a group that should probably be targeted. Just like the impossibility of Canada itself ("too damn few of us spread too damn far apart"[4]) the regional television production industry is made up of people facing similar challenges whether they are in Lethbridge or Lunenburg - challenges that are perceived to be in direct proportion to one's distance from Toronto. The discussion has not changed much in thirty years.

BC producers (and agencies) make a strong case that they are a disadvantaged region; a claim met with skepticism by producers in the prairie provinces. While nearly everyone else disagrees, English Montrealers claim they too must be identified as a disadvantaged region, basing their argument on the Official Languages Act. They cite as precedent the $10m Francophone Minority Program, most of which goes to Acadian producers in NB, which in turn is a bone of contention for NB English language producers, who, in the case of the EPI, are lumped with the rest of the Atlantic area. They feel short-changed too.

For a variety of reasons, others take exception to the 150 kilometers outside Toronto or Montreal rule for production, or outside Toronto, Montreal, *and* Vancouver for development. Some say there should be consistency between development and production – how could a region be both? Vancouverites counter that they *should* be a region for everything - because most of their broadcasters have moved away.

Some say, 150 kilometers is insignificant – producers based even further away than that, say a 90 minute drive, can still easily take advantage of the centres' infrastructure and talent, and in the case of those near Toronto, there is easy access to broadcast decision makers.

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2 See Appendix A, "List of Interviews"

3 Briefing Note 13: English Regional Production – Industry Consultation Briefing notes, 2009, pg 53

4 With apologies to Anna Porter.

If there is one point just about everyone in "the regions" can agree on it's that the notion of grouping everyone into "regions" isn't capturing the true picture in various parts of the country. Producers in the Prairies in particular gave illustrations of how the good fortune in one province in capturing a single series caused the whole region to be excluded from production incentives. "Regions" should go, they said, in favour of "provinces."

We'll get back to this whole topic later. But for now, let's look at the CTF/CMF and its history in trying to help regional production work.

Ten Year Snapshot – 1998-2008

1998-99

Ten years ago Canadian broadcasting was caught in a dynamic startlingly similar to that currently underway - consolidation. Baton had just bought out its CTV partners. Izzy Asper's Canwest was taking on Global. The Allards were merging with the Griffiths in a new, ameliorated WIC, and CHUM was busy expanding into BC. Everybody was talking about convergence in terms of broadcast and print.

Canada's growing stable of specialty services were starting to find their feet, and by '98 the Broadcast Distribution Undertakings (BDUs) were offering some 73 channels to Canadian homes. Everybody was talking about the 500-channel universe. Though the proliferation of signals was driving down licence fees, overall the industry was optimistic, particularly in the regions. BC was attracting a lot of business from south of the border and solidifying its place with about a third of Canadian production, rivaling Quebec and pushing Ontario for top spot. The rest of the provinces and territories (except Alberta) had established competitive provincial tax credits in an effort to divvy up the last ten to twelve percent. Everyone had great plans for the future.

But here's a quick flash forward - despite their best efforts, over the ten year period, except for BC and English Quebec, none ever rose above five percent of the total, and BC's total domestic production for 2008 with no inflation adjustment nor adjustments for higher production costs, is close to its 1998 number – $324m vs. $305m.

In the late '90s, non-linear production was all the buzz. In 1997 the Bell Broadcast and New Media Fund was launched, and in 1998/99 Canadian Heritage followed suit with the Canadian New Media Fund. New media start-ups proliferated, as did nascent industry organizations bent on carving out a place for their cities and provinces in this new, exciting world of possibility.

On the TV side, the CTF was providing a five percent regional bonus and was encouraging broadcasters to get involved outside the major centres with lower licence fee thresholds. In '98-99, "the Year of the Line-ups," the CTF was still basically a first-come, first-served outfit, and efforts to control the over-subscription had limited success.

98/99 ENG. LANG	TOTAL DOMESTIC	% TOTAL DOMESTIC	TOTAL FOREIGN	TOTAL PRODUCTION	TOTAL CTF
AB	$39	3%	$46	$85	n/a
BC	$324	23%	$445	$769	
MA	$10	1%	$27	$37	
NB	$8	1%	$0	$8	
NL	$4	0%	$0	$4	
NS	$69	5%	$18	$87	
NT	$0	0%	$0	$0	
NU	$0	0%	$0	$0	
ON	$643	46%	$347	$990	
PEI	$0	0%	$0	$0	
QU	$287	21%	$197	$484	
SK	$16	1%	$16	$32	
YK	$0	0%	$0	$0	
TOTAL	**$1,400**	100%	**$1,096**	**$2,496**	

1999-2000

In '99-2000 the trend continued. Asper's newly minted CanWest-Global added the Southam newspaper chain, and BCE formed Bell Globemedia, which begat CTVglobemedia [which has just (2010) re-split off its newspapers to focus back on telecom, broadcast, and digital forms in a massive $1.3b deal. *Plus ça change*…]. But in the heady early days of the new millennium, "convergence" meant broadcast and print, and few foresaw how that gamble would ultimately play out.

99-00 ENG. LANG.	TOTAL DOMESTIC	% TOTAL DOMESTIC	TOTAL FOREIGN	TOTAL PRODUCTION	TOTAL CTF
AB	$62	4%	$112	$174	n/a
BC	$305	20%	$664	$969	
MA	$10	1%	$7	$17	
NB	$1	0%	$0	$1	
NL	$1	0%	$0	$1	
NS	$65	4%	$60	$125	
NT	$0	0%	$0	$0	
NU	$1	0%	$0	$1	
ON	$776	51%	$443	$1,219	
PEI	$5	0%	$0	$5	
QU	$273	18%	$213	$486	
SK	$11	1%	$7	$18	
YK		0%	$1	$1	
TOTAL	**$1,510**	100%	**$1,507**	**$3,017**	

As they had done throughout the '90s, the provinces embarked on the new millennium by jockeying amongst themselves for a distant fourth position in the overall production race. The Alberta government, having nixed its Development Corp thereby decimating its industry, tried to win back advantage by establishing a Film Development Program under the Alberta Foundation for the Arts. Winnipeg, after winning the National Screen Institute from Edmonton, was gearing up for a banner 2000, and Nova Scotia, which lost its CBC series *Black Harbour* after two brief seasons still had *Theodore Tugboat, Emily of New Moon,* and the industry-building *Pit Pony*. Newfoundland and Labrador in an effort to nail Hollywood's *Shipping News* introduced a 40 percent provincial tax credit.

The CTF tweaked. While it maintained the five percent regional bonus, it discontinued the lower licence fee thresholds for regional production. In an attempt to be more "market driven" and replace the old first-come, first-served principle, it linked the LFP and EIP with a ranking system. The application process between the two funds was also harmonized and the CanCon bar was raised to 10 out of 10.

On the world stage there was a massive financial earthquake. March 10, 2000, the NASDAQ peaked and the dot com bubble burst. By 2002, the market would lose $5 trillion. For "new media" pioneers, the bloom was definitely off the rose. Private capital dried up and Bell and Telefilm's new media funds started looking both particularly attractive and hugely over-subscribed.

In Canada, big political changes were afoot. In the 2000 Canadian Federal election, though Chretien's Liberals won a third straight majority, the shift of power on the conservative side was clearly westward. Stockwell Day's Alberta-based Alliance got 60 seats and the old PCs under Joe Clark were seriously marginalized. The financial power was shifting , and in the west at least, it seemed that the regions might be coming into their own.

But regional production levels, despite the high national profile of regional players and regional shows (the *Ginger Snaps* franchise, *Trailer Park Boys*, Guy Maddin, Zach Kunuk's *Atanarjuat*, etc.), remained more or less stagnant. Bursts of optimism, like when Halifax's Salter Street Films went public and won a broadcast licence for their Independent Film Channel, were quickly followed by fatalistic sighs. Within two years Salter was sold to Alliance-Atlantis and, despite promises to the contrary, the channel moved to Toronto.

2000-01

The horserace between the regions continued with jockeying tax credits. Manitoba's persistence, a sound business plan backed by a solid training strategy, won it a solid position as the decade began.

The CTF stayed the course continuing the five percent regional bonus and introducing a two percent SME bonus, increased to three percent in year three of the program, but eliminated entirely after year four. Many regional producers interviewed harkened back fondly to the old SME bonus.

00-01 ENG. LANG.	TOTAL DOMESTIC	% TOTAL DOMESTIC	TOTAL FOREIGN	TOTAL PRODUCTION	TOTAL CTF
AB	$49	4%	$57	$106	n/a
BC	$287	22%	$760	$1,047	
MA	$17	1%	$25	$42	
NB	$7	1%	$3	$10	
NL	$2	0%	$0	$2	
NS	$82	6%	$35	$117	
NT	$0	0%	$0	$0	
NU	$0	0%	$0	$0	
ON	$626	49%	$543	$1,169	
PEI	$4	0%	$0	$4	
QU	$195	15%	$337	$532	
SK	$20	2%	$0	$20	
YK	$0	0%	$2	$2	
TOTAL	**$1,289**	100%	**$1,762**	**$3,051**	

2001-02

01-02 ENG. LANG.	TOTAL DOMESTIC	% TOTAL DOMESTIC	TOTAL FOREIGN	TOTAL PRODUCTION	TOTAL CTF
AB	$58	5%	$34	$92	n/a
BC	$213	17%	$857	$1,070	
MA	$10	1%	$33	$43	
NB	$0	0%	$3	$3	
NL	$3	0%	$8	$11	
NS	$59	5%	$48	$107	
NT	$0	0%	$0	$0	
NU	$0	0%	$0	$0	
ON	$710	57%	$561	$1,271	
PEI	$5	0%	$0	$5	
QU	$179	14%	$215	$394	
SK	$18	1%	$0	$18	
YK	$0	0%	$1	$1	
TOTAL	**$1,255**	100%	**$1,760**	**$3,015**	

This was a "Year of Stability" for the CTF – no major changes to the Guidelines - the five percent regional and the two percent SME bonuses were both continued. In terms of dollars and cents and Fund governance, the cataclysmic world events of September 11, 2001 caused barely a visible ripple.

2002-03

02-03 ENG. LANG.	TOTAL DOMESTIC	% TOTAL DOMESTIC	TOTAL FOREIGN	TOTAL PRODUCTION	TOTAL CTF	% TOTAL CTF
AB	$60	5%	$50	$110	$14	9%
BC	$208	16%	$830	$1,038	$37	23%
MA	$19	2%	$34	$53	$6	4%
NB	$2	0%	$0	$2	$1	0%
NL	$1	0%	$0	$1	$0	0%
NS	$66	5%	$52	$118	$18	11%
NT	$0	0%	$0	$0	$0	0%
NU	$0	0%	$0	$0	$0	0%
ON	$684	54%	$549	$1,233	$67	41%
PEI	$7	1%	$0	$7	$1	1%
QU	$155	12%	$399	$554	$16	10%
SK	$63	5%	$0	$63	$4	3%
YK	$0	0%	$0	$0	$0	0%
TOTAL	**$1,265**	100%	**$1,914**	**$3,179**	**$165**	100%

2002-03 followed the same path. Although there were a few Guideline tweaks, as far as the regions were concerned, it was business as usual - the five percent regional bonus plus a slightly increased SME bonus of three percent A typical pattern: while the *North of 60* series ended, a series of *North of 60* MOWs kept the franchise alive. By percentage, production in

Newfoundland Labrador dropped 92 percent, which appears cataclysmic. In dollar terms, it reflects a loss of $10 million, or the loss of one dramatic series.

2003-04

In broadcasting, the current of mergers and acquisitions, and major post-"convergence" write-downs coincided with a marked decrease in Canadian drama production. A group of concerned unions and guilds rallied, and a major CRTC review of the problem was triggered. Another canary in the minefield, the precipitous decline in Canadian drama production was seen as a clear indicator of an industry in distress.

For the CTF, by 2003-04 it was clear that the previous two years had been but the calm before the storm. While the Regional bonuses continued for the time being, and the SME bonus was eliminated, more than tweaks were needed. Major changes were required to fix once and for all the persistent problems of the old first-come, first served system and its chronic oversubscription. In an effort to make the Fund responsive to the market, the concept of "Broadcaster Priorities" was established, a key indicator of the shape of things to come. For some regional producers looking back now, this is where a core future challenge really began. More power was being placed in the hands of the broadcasters.

The acronyms DTV, VOD, SVOD, PVR, UGC, and IPTV entered the lexicon and rights issues, for both broadcasters and independents alike, eclipsed worries over the DTH grey market. The Broadcasting Act was under serious review by the Standing Committee on Canadian Heritage, while the CRTC issued a roadmap for the new digital era. With downloads and streaming on the rise, and YouTube igniting the public imagination, clearly Canada's 1997 Copyright Act revisions, which were restricted primarily to music recording, had to address other creative rights issues, especially film and TV content. While the government reviewed the various crises in the industry, they also reduced their allotment to the CTF by $25 million and, though the cutback was not totally responsible, production dropped by a half billion dollars.

03-04 ENG. LANG.	TOTAL DOMESTIC	% TOTAL DOMESTIC	TOTAL FOREIGN	TOTAL PRODUCTION	TOTAL CTF	% TOTAL CTF
AB	$52	4%	$0	$52	$8	5%
BC	$194	16%	$1,236	$1,430	$31	21%
MA	$7	1%	$79	$86	$5	4%
NB	$5	0%	$0	$5	$1	1%
NL	$3	0%	$0	$3	$1	0%
NS	$48	4%	$51	$99	$13	9%
NT	$0	0%	$0	$0	$0	0%
NU	$0	0%	$0	$0	$0	0%
ON	$719	61%	$340	$1,059	$67	46%
PEI	$2	0%		$2	$0	0%
QU	$118	10%	$193	$311	$17	11%
SK	$33	3%	$0	$33	$3	2%
YK	$0	0%	$2	$2	$0	0%
TOTAL	**$1,181**	100%	**$1,901**	**$3,082**	**$145**	100%

2004-05

In 2004-05 TV production revenues plummeted – down ten percent from 2001. Cheaper reality, game and variety shows were increasing and people were talking formats. Against this fluctuating backdrop, the CTF undertook a major re-design.

The Fund was divided into three streams. English language drama and special initiatives would be delivered by Telefilm, while the CTF took on the task of delivering the new Broadcast Performance Envelopes, which included a ten percent regional factor. The long-standing five percent Regional Bonus was eliminated. "The broadcasters had won," observed one producer.

04-05 ENG. LANG.	TOTAL DOMESTIC	% TOTAL DOMESTIC	TOTAL FOREIGN	TOTAL PRODUCTION	TOTAL CTF	% TOTAL CTF
AB	$57	4%	n/a	$57	$4	2%
BC	$243	19%	$567	$810	$32	21%
MA	$24	2%	$54	$78	$6	4%
NB	$12	1%	$0	$12	$0	0%
NL	$2	0%	$0	$2	$5	3%
NS	$62	5%	$36	$98	$9	6%
NT	$0	0%	$0	$0	$0	0%
NU	$1	0%	$0	$1	$0	0%
ON	$695	54%	$521	$1,216	$75	47%
PEI	$0	0%	$0	$0	$0	0%
QU	$160	12%	$261	$421	$20	13%
SK	$37	3%	$23	$60	$6	4%
YK	$0	0%	$0	$0	$0	0%
TOTAL	**$1,293**	100%	**$1,462**	**$2,755**	**$158**	100%

2005-06

In January 2005 George W. Bush was inaugurated for his second term, the elusive 'weapons of mass destruction' were still missing in Iraq and Osama still missing in Afghanistan.

In Alberta, the Academy Award-winning *Brokeback Mountain* was burning up the track, and the Shaws were on the rise. Steady growth in the company's cable and satellite subscriber base and growing revenues from Corus, were augmented by remarkable internet revenues. Their penetration rate was #1 among North American BDUs. In hindsight, this growing position in the newly converging world of distribution and content was prophetic.

The CTF concentrated on governance changes, and left the ten percent regional factor unchanged. Two boards and two administrations, said the Standing Committee, were redundant. As the CAVCO numbers from this first year of the BPEs were yet to come in, no one yet knew of the startling drop in regional production that was at least partially the result. [5]

[5] CAVCO stats can come in up to two years after a production year. Compilation of the charts for this report has the benefit of hindsight and the immediate effect of Guideline changes weren't clear until well after the fact. Analysis is further complicated by the different methods used by various players to track Canadian production. See page 20 for a more complete analysis of the statistical challenge.

05-06 ENG. LANG.	TOTAL DOMESTIC	% TOTAL DOMESTIC	TOTAL FOREIGN	TOTAL PRODUCTION	TOTAL CTF	% TOTAL CTF
AB	$36	3%	$37	$73	$7	4%
BC	$284	21%	$973	$1,257	$40	24%
MA	$31	2%	$34	$65	$7	4%
NB	$4	0%	$0	$4	$0	0%
NL	$16	1%	$0	$16	$4	3%
NS	$51	4%	$61	$112	$9	5%
NT	$0	0%	$0	$0	$0	0%
NU	$5	0%	$0	$5	$0	0%
ON	$669	50%	$455	$1,124	$70	42%
PEI	$0	0%	$0	$0	$0	0%
QU	$208	16%	$99	$307	$25	15%
SK	$33	2%		$33	$3	2%
YK	$0	0%	$0	$0	$0	0%
TOTAL	**$1,337**	100%	**$1,659**	**$2,996**	**$165**	100%

2006-07

In 2006 Stephen Harper's Conservatives defeated Paul Martin's Liberals. Though heading a minority government, a conservative Albertan was running the country.

The CTF's structure underwent radical change. It was put in charge of governance and oversight, and Telefilm was contracted to administer the program. The BDU and Heritage contributions were combined into one fund with two "streams" – the Broadcast Performance Envelope (BPE) Stream ($241.4m) and the Special Initiatives Stream ($12.7m). A ten percent regional factor in the BPE calculation was included and the CBC was given its own envelope.

06-07 ENG. LANG.	TOTAL DOMESTIC	% TOTAL DOMESTIC	TOTAL FOREIGN	TOTAL PRODUCTION	TOTAL CTF	% TOTAL CTF
AB	$68	4%	$54	$122	$8	5%
BC	$402	25%	$861	$1,263	$37	22%
MA	$39	2%	$38	$77	$7	5%
NB	$5	0%	$0	$5	$2	1%
NL	$2	0%	$0	$2	$0	0%
NS	$54	3%	$63	$117	$9	5%
NT	$0	0%	$0	$0	$0	0%
NU	$4	0%	$0	$4	$0	0%
ON	$732	46%	$288	$1,020	$79	48%
PEI	$0	0%	$0	$0	$0	0%
QU	$230	14%	$125	$355	$16	10%
SK	$56	4%	n/a	$56	$6	4%
YK	$0	0%	$0	$0	$1	0%
TOTAL	**$1,592**	100%	**$1,429**	**$3,021**	**$165**	100%

2007-08

07-08 ENG. LANG.	TOTAL DOMESTIC	% TOTAL DOMESTIC	TOTAL FOREIGN	TOTAL PRODUCTION	TOTAL CTF	% TOTAL CTF
AB	$77	5%	$24	$101	$11	7%
BC	$347	24%	$1,174	$1,521	$33	21%
MA	$25	2%	$56	$81	$3	2%
NB	$6	0%	$0	$6	$0	0%
NL	$5	0%	$0	$5	$0	0%
NS	$49	3%	$29	$78	$6	4%
NT	$0	0%	$0	$0	$0	0%
NU	$0	0%	$0	$0	$0	0%
ON	$735	50%	$350	$1,085	$87	55%
PEI	$4	0%	n/a	$4	$0	0%
QU	$179	12%	$120	$299	$13	8%
SK	$37	3%	$13	$50	$3	2%
YK	$0	0%	$0	$0	$0	0%
TOTAL	**$1,464**	100%	**$1,766**	**$3,230**	**$157**	100%

2007 was marked by the BDU crisis. Shaw and Videotron took exception to how the CTF was run and the audience results of supported programming. They threatened to withdraw their contributions to the fund. The Standing Committee intervened and a compromise was reached. The BDUs' concerns would be addressed. A CRTC Task Force was convened and some extremely unpopular recommendations were made; notably, splitting the Fund into two new streams, one private, the other public.

Amidst this backdrop, two years after the fact, CAVCO's numbers from the implementation of the BPEs started to come in. As illustrated in the chart on page 4, every single province and territory in the country with the exception of Ontario and Alberta had a marked downturn in dollars spent on domestic English language production. It appeared the canary was in deep trouble and many regional independents blamed the new BPE system.

The Canadian Film and Television Producers Association (CFTPA) struck its own Regional Task Force. It divided the country, production "centres" and "regions" alike, into five "areas" – Atlantic, Quebec, Ontario, the Prairies, and BC. A three-principle policy was drafted and passed by the Board.

1.) Only the best programs should be supported.
2.) Programs should come from all areas.
3.) Measures should be taken to maintain balance.

No one could possibly disagree. Based on these principles, a $5 million pilot Production Incentive Program (PIP) was devised to add financial support to productions in any "area" whose production totals – measured in dollars -- dropped more than 20 percent below their five-year average. The support would be first come-first served until the program budget was spent.

2008-09

In 2008 the PIP safety net was launched. The Atlantic "area" and Quebec were the first beneficiaries, and for one year at least they seemed to get back on track. As well, the BPE regional factor for English language production was bumped to twenty percent.

08-09 ENG. LANG.	TOTAL DOMESTIC	% TOTAL DOMESTIC	TOTAL FOREIGN	TOTAL PRODUCTION	TOTAL CTF	% TOTAL CTF	98-08 DOMESTIC AVE.
AB	$88	6%	$20	$108	$22	12%	$59
BC	$305	20%	$900	$1,205	$13	7%	$283
MA	$31	2%	$2	$33	$2	1%	$20
NB	$3	0%	$10	$13	$0	0%	$5
NL	$14	1%	$0	$14	$1	1%	$5
NS	$48	3%	$80	$128	$7	4%	$59
NT	$0	0%	$0	$0	$0	0%	$0
NU	$1	0%	$6	$7	$0	0%	$1
ON	$830	53%	$206	$1,036	$118	65%	$711
PEI	$0	0%	n/a	$0	$0	0%	$2
QU	$173	11%	$211	$384	$17	9%	$196
SK	$59	4%	$9	$68	$3	1%	$35
YK	$0	0%	$0	$0	$0	0%	$0
TOTAL	**$1,552**	100%	**$1,444**	**$2,996**	**$183**	100%	$1,376

In sum, as the ten year '98-'08 period drew to a close[6], world, national, and financial context aside, and measured by the dollars, things looked remarkably static for English language regional production. The chart on this page includes a column showing the average domestic production spend per province or territory for the ten year period. In the final year, Alberta was well above its ten-year dollar average. Saskatchewan too, clearly benefited from *Little Mosque* and *Corner Gas*. Manitoba was up, New Brunswick down, and Newfoundland and Labrador way up largely due to *Doyle.* Nova Scotia was down nearly twenty percent below its ten year average -- but the latest Film NS figures indicate that '09-10 was a banner year. PEI was concentrating on digital media and gaming and the territories too had limited production.

In the regions for the full decade, it was business as usual - boom or bust.

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[6] At date of publication, complete Canadian production numbers for 2009-10 are not yet available.

The regions in 2010: What we heard

What does the Government want?

The Canada Broadcasting Act states that Canadian broadcasting system programming "should be drawn from local, regional, national and international sources" and "include a significant contribution from the Canadian independent production sector."

As above, by its Contribution Agreements, the CMF has a clear regional mandate and should adopt new approaches and take "market forces" into account wherever possible.

The staff of Canadian Heritage emphasized to the research team the importance of building sustainable companies capable of delivering programming that wins over audiences and proves that Canadian shows are worth watching. The CMF, they said, should not be restricted to a "project by project approach" - an important element in the boom or bust regions where "sustainability" can be problematic. For the DCH staff, the larger strategy is not about a quota system, or ensuring that certain percentages of projects come from one locale or another. Rather, their "interconnected array" of policies, they said, are aimed at building a balanced and, again, sustainable industry.

They were clear about their Department's reluctance to become "prescriptive" in their expectations of the Fund. As an independent corporation, it was CMF's prerogative to come up with ways to deliver on the expectations of the Contribution Agreement. The independence of the agency and its board is, to DCH, a very important principle.

The study team's foray into the more political levels of the federal government revealed a pragmatic approach to the reality of delivering on the sometimes-lofty goals of national policy. It was observed that federal agencies often find themselves "living with contrary impulses." While there is certainly a need to "keep a basic, practical level of regional capacity," there have also to be reasonable expectations.

The analogy of Canada's health care system may be useful. While it may be appropriate to expect basic health care infrastructure in all parts of the country, few would expect every small town to have the most specialized heart surgeon available just down the block. One politically connected interviewee noted there were many occasions where the practical reality of program delivery in a world of limited resources may require concentrating efforts where some level of critical infrastructure already exists, and that all "must come to terms with reasonable expectations."

That other federal agency – the CRTC

Television production in Canada involves many interlocking and overlapping relationships, many of which are regulated by the CRTC.

Many interviewees believed that the CRTC is not exercising its full authority and, contrary to Chairman von Finkenstein's recent letter to the Globe & Mail[8], hobbled by political interference. They pointed to the commission's consistent failures to enforce licencees'

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[8] *Globe and Mail*, Letters to the Editor, 8 September 2010.

regional undertakings, to the commission's inability to prevent consolidation of the industry with the resulting disappearance of commissioning editors from all parts of the country except Toronto, and allowing programming choices that seemed hard to reconcile with approved mandates. "Look at History," one interviewee stated. "History isn't showing history – they're showing *CSI* re-runs!" From the regional point of view, regional promises of performance are not being observed.

The study team's interview with the CRTC itself, in which all these critical points of view were aired, revealed that producers might become even more frustrated with the Commission very soon. Its new policy, the CRTC indicated, might no longer give priority to the regional programming. If this comes to pass, it would leave the CMF, along with the CBC, the NFB, and Telefilm, as one of the last bastions of regional support.

The reaction to what's been tried

As noted in our Ten Year Snapshot, the CMF/CTF has worked for years to try to address 'the regional question.' The various attempts at various points have included:

- A five percent regional bonus
- Reduced regional licence fee thresholds
- Reduced thresholds in development (25 percent of eligible costs as opposed to 50 percent within a 150 kilometer radius of Toronto or Montreal)
- The regional performance factor in calculating broadcasters' BPE (originally ten percent then increased to a twenty percent weighting factor for production 150 kilometers outside Toronto, Montreal and Vancouver)
- While not technically a regional incentive, the English Production Incentive (formerly the Production Incentive Program - $10m split between any of the country's five "areas" where production has dropped more than twenty percent below its five year average)

All of these levers and inducements have been ingenious and have been tweaked and adjusted over time in an effort to meet the Fund's regional mandate.

All but one of the broadcasters[9] interviewed found the regional incentives unconvincing as an incentive to seek out more regional production. In this, at least, most producers and broadcasters agreed, although many producers harkened back fondly to the five percent regional bonus. A whole range of considerations – the creative elements, provincial enticements, location, how well the producer and production company are known to the broadcaster, infrastructure - influence where and how production takes place. Last, and maybe least, but definitely welcome as cash always is, are the financial benefits of the CMF regional incentives.

[9] The one, positive broadcaster, a new licencee, found the regional performance factor extremely useful in their scramble to establish an envelope.

The EPI as seen from the ground

The EPI was launched in fiscal 2008-09 with $5 million with two areas designated as the initial eligible recipients. Sixteen projects received funding in Atlantic Canada and 11 in Quebec.

The following year, fiscal 2009-10, declining production averages allowed Atlantic Canada and BC & Territories to access the program, and the budget was increased to $10 million. The project tally was 35 to BC and four to the Atlantic.

The current fiscal saw the program continue at $10 million, with Quebec and BC & Territories the eligible regions.

Though areas which qualified for the EPI were glad to get it, many saw it as but a flawed "band-aid" solution and complained it had no "stickiness." Once the EPI moved to other areas, producers were left behind with real challenges. One Atlantic production, for example, faced a serious problem when it was renewed in Year 3. Though it had benefited from the EPI in Years 1 and 2, when the EPI went elsewhere in Year 3 there was a mad scramble to replace financing. If the financing isn't found, or if the series isn't renewed, the area that had been assisted drops back to square one – and the boom or bust continues.

One Atlantic interviewee questioned the practice of using EPI-supported projects in the calculation of the next year's EPI-eligible "areas." Of course there would be no "stickiness", she argued - the calculation would be skewed by an incentivized figure.

What is required to improve "stickiness," one producer observed, is a coordinated effort to build long term capacity while the EPI is in place, to reinforce it with training, a requirement to use local department heads, and the requirement for broadcasters who benefit from the program to reinvest in that region.

The majority of producers interviewed in western Canada – even those who had received the bonus – agreed that it had no effect in influencing broadcasters' licensing decisions. While successful producers were grateful for the extra cash, (some admitting they would have been 'in real trouble' without it), they were convinced the broadcasters would have made the same licensing decisions regardless of EPI eligibility. The single producer we found who felt the EPI really *did* change broadcaster's minds was from the Prairies. One of her projects was turned down in favour of one that was EPI eligible. Another noted the broadcaster's keen interest in whether the EPI application was successful, since it meant they would have more BPE cash available for other projects.

Having never had access to the EPI, Prairie producers focused on how disadvantaged "areas" qualified. They pointed out how one province's success can prevent the rest from benefiting from the program. Just one series in one province can turn the tide for the entire "area" by bumping up the production averages.

Prairie producers pointed out that a calculation that includes the number of projects as well as total production values might give a more sensitive measure of the true health of production in an area. Most agreed, the program should apply to individual provinces, not "areas."

Several Prairie producers noted the relatively short historic curve that can be illustrated through five-year averaging. Ten years was suggested as a period that would give a more accurate reflection, especially given the difficulty in Canada of securing accurate and up-to-date statistics for Canadian production.

The CMF has some great statistics, but no detailed regional view, one interviewee complained. Indeed, as noted elsewhere, there are gaps in the level of detail, statistical inconsistency between funds and agencies, and CAVCO numbers appear long after the fact. Understanding the effect of any guideline changes is delayed.

As noted in the Snapshot, when the regional bonus was replaced by the BPEs in 2004, it took two years for the effect to become apparent. The delay in statistical information compounded the problem and delayed the implementation of the EPI safety net. There are numerous sources for the statistics (CAVCO, CMPA, Statscan, provincial agencies, etc.), each with its own focus, sometimes different year ends, different criteria and methodology. The forensic task of finding out the truth is Herculean. But if the many agencies that are attempting to support the production industry do not have accurate, current data, it is very difficult to make fact-based policy decisions.

CMF, as a senior, respected agency in Canada could play a central role in coordinating the collection of Canadian production statistics.

Broadcasters and the EPI

The broadcaster interviews did not contradict the producers' impressions. Broadcasters – while happy to have more dollars in any production – asserted that the availability of a regional bonus did not affect their purchasing decisions. They repeatedly cited the critical importance of the story idea, the strength of the writing, the outstanding idea backed by a strong team. While the dollars were nice, and in once case at least, even used strategically to build BPE share, the EPI did not earn a ringing endorsement as the way to increase regional licensing .

"I refuse to order a show just because it's from a region," said one broadcaster, while observing that marrying various bonuses does help bring dollars to the screen. Other broadcasters characterized the EPI as "another nice little pad", but not ultimately influencing choices. The potential bonus was secondary to finding a great show that would fit the specific broadcaster's brand, plus earn audience and therefore earned revenues.

Fingering the problems

Producers were remarkably unified in their self-appraisal of their problems. If they were economists, they might have described the challenge as undercapitalization of their companies' research and development functions, as well as their market development capacity. In the television world, that means development, especially early stage development, plus building relationships with their primary customers, the broadcasters. As one industry observer put it, "it is a capacity and maturation issue" and best dealt with in that context.

Development, development, development

Again and again, companies both large and small cited the challenge of keeping their development activities at the level that would balance the typical boom/bust cycle. While a company is concentrating on delivering multiple seasons of a hit series, there is little energy or resources to keep pitching the volume of quality materials that they know one must go through to get the one or two ideas that succeed. Once a series is finished, they are left at square one of the development cycle instead of the next project immediately kicking into gear. And it is not just new producers facing this challenge – we heard the same story from producers of all sizes and experience levels.

Many producers cited the risk they face doing necessary development and pre-development, and the need for their partners in the process to "get into bed earlier" in sharing that risk. The producers are well aware that they should be developing far more ideas than they do (and letting them go sooner when they don't pan out), but the resources to develop more are hard to come by.

Factual producers spoke of the growing need to provide more materials at earlier stages – even travelling across the world to do film tests of documentary subjects at the pre-development stage in response to potential broadcasters' demands.

Broadcasters agreed and were, in some cases at least, sympathetic. They want to hear better pitches, where more thought and work has gone into understanding the needs of the individual broadcaster and their audiences. One broadcaster lamented having to hear the same pitch from the same producer over and over again, but no wonder – the producer had a big investment in the property and just couldn't let it go.

A private funder noted the need for 'top people' to develop the best drama, and the difficulty of keeping these people in the regions. "They want to go where the action is," she observed, with the natural progression being from the regions to Toronto then on to Hollywood. This was echoed by a Prairie producer, who emphasized the challenge of bringing "network acceptable" writers and directors to a project.

What really gets broadcasters excited?

Most producers would say the answer to this question is easy – money. The broadcasters, while acknowledging they are in business, and have to build audiences and profits, have a slightly different point of view.

The broadcasters are looking for the next hit, the next great idea, a great story. They are hoping to find fabulous writing, good characters and the right team. And these good ideas are "few and far between." Where they might come from is of less importance, and what the financing looks like comes second.

One broadcaster estimated that he sees about five hundred pitches in a year, fifteen to twenty of which "intrigue me." Of those, he might put four into development. Another likened the process to buying stocks – for the one that might give a return, there are a handful that are duds. Still another said he could see a good idea "in about 15 seconds."

One broadcaster expressed sympathy for producers, recognizing the difficulty and expense of the development process. Nevertheless, producers who had not put in the homework garnered little sympathy. As one broadcaster with a small envelope noted, if a pitch came in with a large CMF contribution in the financing plan, somebody had not taken the time to research the facts.

Another broadcaster identified his challenge as having to develop producers who could respond to his programming needs. All agreed that better pitches, better writing and solid ideas landing on their desks more regularly would do a lot to increase the success of regional producers.

Access to Broadcasters

The second most popular challenge cited in our interviews was access to broadcasters for producers outside of Toronto. The disappearance of development officers and commissioning editors from almost all of their former outposts has been severely felt.

Many regional producers – be they from the Prairies or Quebec -- cited the expense of building relationships with buyers. It goes beyond the old joke about the 'thousand dollar cup of coffee.' As one western producer put it, a proper pitch calls for the whole team to be transported to Toronto, at a cost closer to $5,000. Some even suggested that broadcasters who get CMF dollars should be compelled to be physically present in the regions for some minimum period of time.

British Columbians in particular were vocal about the recent changes in the location of broadcaster representatives, and how this has adversely affected their industry. They point out the large investment over time in the creation of a strong infrastructure, and how this investment will be lost if steps are not taken to address BC's isolation.

In English Quebec too, the dearth of English broadcasters was a big issue.

The Rights Question

When the producer does get in the room with a decision maker, with a great idea that the broadcaster can't resist, they can still be in for a rough ride. Even producers in the broadcasters' home cities, with the perceived luxury of possible informal encounters and bonding experiences between indie and broadcaster, in licence fee negotiations all are facing increasingly restricted options. The days of three broadcasts over three years are long gone, replaced by dramatically longer windows, and that but a prelude to demands for other rights. Producers feel like they are over a barrel and are having a tougher and tougher time holding on to back end.[10] It obviously goes beyond just getting in the room.

More than one interviewee clearly identified "the rights question" as the one that will make or break Canada's independent production industry. Independent producers, they insist are the "only solution" to capturing cultural diversity, and an independent Canadian voice. Without a solution to this core challenge, they argue, there will be little ultimate success for Canadian screen content producers.

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[10] One provincial agency executive pointed out that the return on their equity investment in a production had come from the producer's hold on merchandise sales – something that would be highly unlikely in the current climate where broadcasters insist on a share of way more than simple broadcast rights.

Cut from a Different Cloth – Interactive digital producers

The two worlds brought together by Ministerial directive under one happy tent do seem to have sympathy for the CMF's matchmaking challenge, and offered some suggestions for the future.

There was stark contrast between the two worlds' business approach. In broad strokes the TV world seems inured to an industry built on policy, regulation and public investment, while the interactive digital (ID) world seems much more entrepreneurial in the purest sense; both service providers for large, vertically integrated companies, or creative speculators pushing their own products, apps and games. As one broadcaster who had seen the two groups together in a room said, they are definitely "cut from different cloth."

Several of the ID practitioners interviewed were concerned that the CMF's approach to the Experimental Stream borrowed too much from television production models, both in terms of paperwork and in the central role given to 'third party market channel partners.' This is a much more open universe of risk and reward, and ID companies appear to have evolved with a real awareness of how each project contributes to their overall bottom line. "We need an honest conversation about profit," said one ID/TV veteran.

One ID producer, who has considered participation in convergent projects, observed that TV producers have some difficulty in approaching the process as a true partnership. As a content creator, the ID producer wanted to be a full partner at the table for the whole process, with ownership in the ultimate intellectual property – not treated as another vendor simply supplying services.

The interactive digital community also noted the unattractive nature of CMF's treatment of equity investment when it came to marrying the CMF dollars to other investment. By requiring a first tier position for investment return, they feel the CMF is seriously jeopardizing their ability to raise third party investment.

In the end, we discovered a lively industry stretched across the whole country[11] – an impression confirmed by our interview with a private funder of ID projects. In her estimation, the quality of the creative, especially animation, coming from *all* parts of the country is strong, and for this group of content creators at least, is not confined to the major centres. As put by one ID producer, in the new digital world, the argument about geography is "pointless." Content can come from anywhere.

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[11] This finding reflects the portrait of the ID industry in the *2008 Canadian Interactive Industry Profile.* The study also identified the growing strength of the 'creative' side of that industry, as well as the fact that sixty percent of ID company staff work in development.

Cultural versus Industrial

In the midst of discussions surrounding the life and death of Canada's independent producers, most were less concerned with parsing CMF's role as cultural or industrial. As one senior producer observed, television, like the real world, is rarely that pure.

Given that there will never be enough money in the system to support both cultural and industrial goals, the division is probably between the uses of the public versus the regulated dollars. In the broadest terms, the consensus seems to be, the public money should certainly be focused on strengthening cultural goals. Instead of pursuing return *on* investment, this is a case of return *of* investment by a country wishing to see itself on the screen.

What CMF could try

The English Production Incentive Program as it now stands is not providing enough of an incentive to change broadcaster behavior.

Neither the anecdotal evidence, nor production numbers achieved seem to confirm that the EPI is providing any more than a temporary stop-gap for a relatively small number of productions in selected parts of the country. Once a region is no longer 'disadvantaged', there appears to be little 'stickiness' to the production it has attracted; the gains are not long term.

Even in those regions that *do* receive funds, not every eligible production is included. The 'first-come, first-served' nature means that some productions are left behind. Dollars going into production can be used up pretty fast.

There is little evidence that the EPI is meeting the long-term policy goals of the CMF. To be fair, the program is only in its third year, but the research team found little support or evidence that continuance in its current format will change the results or the opinions of the people whose behavior it was ultimately designed to change.

The dollars committed to the EPI, however, are <u>very</u> important to the industry outside the primary production centres, and other uses for this investment must be considered.

At the very least, if the EPI continues to address production costs, it should be assigned by province, rather than by "area."

Changing broadcasters' minds

Producers, broadcasters and other stakeholders all agreed that if the production incentive weren't enough to change minds, good ideas and pitch materials would be. Many producers identified a lack of resources for development, especially the large risk of pre-development, as the real barrier to their success in the marketplace.

This conclusion came from producers of all sizes and in all parts of the country.[13] In many ways the demands of capitalizing development harkens back to the analysis that brought SME bonuses into play in 2000-01.

A slate program similar to that of BC Film was suggested as the kind of program that would have real impact, especially if used in the early development phase, and allowed for travel costs associated with research and making demo reels to pitch docs.

By including valid travel costs as part of the pre-development stage, at least some of the problem of accessing broadcasters would be addressed. What happens once the access is achieved is another matter. The idea of forcing broadcasters to spend outside Toronto is a

[13] Even ID producers at a recent CMF consultation meeting were supportive of the need for this kind of investment.

non-starter, but, investing the cash to create and deliver better pitches might work. With these resources in hand it becomes the responsibility of the producers to perform – and the role of the marketplace to determine which companies succeed. "You've still got to be the best to win" was how one producer put it.

CMF's current development program should continue to entice and reward broadcaster development in the regions. However, the study team was told of one aspect of this program that if adjusted could give real benefit to British Columbia producers in particular – stop grinding CMF development loans with third party financier contributions, such as those from provincial agencies.[14] The amount of money involved is negligible and the benefits, huge.

Who's in and who's out

As noted earlier in this document, the problems faced by producers across the country would appear to have more to do with *what* they are – small or medium business enterprises, than *where* they are.

If you are outside Toronto, it looks like Toronto producers enjoy special benefits, both in terms of infrastructure and access to market. Vancouver producers and English language producers in Montreal both have infrastructure, but are feeling the pinch of absent broadcasters. Everybody outside these centres is up against varying degrees of challenges in infrastructure and market access.

Eligibility to any development and pre-development investment could be based on appraisal of a company's need and potential within the context of their SME position[15], balanced by whether they are in Metro (Toronto) or Metro Minus (Vancouver and Montreal), or the Rest of Canada.[16]

An interesting idea coming from the most recent CMF consultation process is the role that could be played by each provincial or territorial agency. It was suggested by one agency that CMF work with each agency to craft programs specifically designed incubate their region's, province's, or territory's industry.

The Broadcast Performance Envelope

As the largest tool at the CMF's disposal, the BPE provides an important opportunity to address the regional production question. Although it would not meet with general broadcaster favour, increasing the regional factor to 30% would provide a clear signal of the importance to CMF (and DCH) of regional production.

Producers are frustrated by what they see as a lack of action on the part of the CRTC to compel broadcasters to do more in the regions. Many have suggested that the CMF is their only hope, and that the moral suasion of the public money in CMF's hands should be used to force the issue. "If the broadcasters don't want to do it," said one producer, "they don't have

[14] The relevant clause in the CMF development guidelines is "Such a contribution will reduce, pro rata, the CMF contribution and the broadcaster Development Fee(s) in proportion to the third-party contribution."

[15] See SME definitions, appendix C

[16] This analysis borrows from the "Category 1/Category 2" idea presented in Rob Egan's 2009 work for the CMF.

to take the money." Some go so far as to say that the dollars earned through the regional factor should have to be spent the next year in the regions.

Broadcasters, as may be expected, feel that they should have as much flexibility as possible to do what they want. The best answer is probably somewhere in the middle, and may even be reflected in the suggestion we heard that CMF could go so far as to set individual "targets" for performance improvement to be negotiated with broadcasters. At the very least, an increase in the factor value would send a clear message to all CMF stakeholders.

We heard a persuasive argument that licence thresholds should be lowered for regional production, as a sort of backhanded bonus. But another producer argued, just as persuasively, that the thresholds have become the accepted price for productions – and that the notion of lowering the value of regional production in the broadcasters' minds is not a step in the right direction, especially in view of the industry's larger rights value challenge.

The Challenge of the future

So in the end, what does all this tell us?

A lot of what we encountered are symptoms of the larger systemic change. When consolidation of the industry leads to fewer and fewer doors to knock on, these doors will certainly disappear from Canada's far flung regions. And with fewer doors and fewer buyers, the producers know instinctively that their offerings will have to be just that much better. The risk of that investment can be terrifying, so they focus on trying to find help for the immediate problem.

We heard a number of voices, some quiet and some strident, going beyond the concerns of region to the challenge at the heart of this industry's problem, the exchange of fair value for the rights to intellectual property. Any tweaking of guidelines around regional concerns alone can seem small potatoes in the face of fundamental shifts in the global content industry. As content carriers become fewer, larger and stronger, and distribution technology becomes more diffuse, the position of Canada's brand of independent producer becomes more precarious. Big changes are coming – no, they're already here. The question is, what will we have as Canadian content creators at the end of that change?

For economic and cultural reasons, just about everyone wants to see the industry grow in Canada, not only in the regions, but everywhere. The Canadian experience is a vast one, and we've proved that stories from all corners of this country do find enthusiastic audiences around the world. So we must build a system that enables those stories to be heard regardless of where they originate.

Many of our conversations led to the role of CMF, and the need, in the absence of other champions, and in the absence of the much sought after 'Terms of Trade', for the Fund to enter the fray in support of the rights of individual producers. The same can be said for the potential for the CMF to play the 'honest broker' in many of the issues that must be addressed to create a comprehensive, effective infrastructure for Canadian screen content creators.

The CMF holds a large part of the production puzzle. How, many asked, will the CMF decide to use the influence that bargaining position brings?

Summary of recommendations

A. *Change the EPI*
- Keep the dollars to boost English language regional production, but not as contribution to production budgets.
- Use the money for development, preferably early stage, including appropriate travel costs.
- The slate development example from BC Film is probably a good model to start from, with a simplified administrative system for both the agency and applicant. A $50,000 ceiling was suggested as a logical place to start for most regional companies.
- End the practice of limiting access to producers in 'disadvantaged' areas only.
- Base eligibility on a juried appraisal of company potential, balanced by a factor that takes into account whether they already enjoy the benefits of being in a production centre. In other words, companies outside the major production centres would have preferential access to the program.

B. *If the EPI continues to be focused on production, do it by province, not by "area".*

C. *Bump the regional factor in the BPE*
- Raise the factor to 30%
- Consider whether individual, negotiated broadcaster regional targets might be feasible.

D. *Don't grind CMF development investments in response to non-broadcaster third party development contributions.*

E. *CMF should take a leadership role in devising a more consistent and timely mechanism for compiling industry statistics.*

F. *CMF should explore the possibility of working with provincial agencies on joint industry development activities tailored to each province's needs and opportunities.*

G. *In the Experimental Stream, the requirement for a "market channel partner" should be broadened to include innovative models with market potential which do not necessarily involve third parties.*

Appendix A

List of interviews

Cheryl	Ashton	CEO	NFDC	Iqaluit	NU
Marty	Ballentyne	Manager of Programming West	APTN	Vancouver	BC
Susanne	Bell	CEO	SaskFilm	Regina	SK
Mark	Bishop	Producer	marblemedia	Toronto	ON
Janine	Bizzocchi	Business Analyst	BC Film	Vancouver	BC
Norm	Bolen	Pres. & CEO	CMPA	Ottawa	ON
Vanessa	Bonk	Executive Director	SMPIA	Regina	SK
Chris	Bonnell	Exec. Dir.	NLFDC	St. John's	NL
Richard	Brownsey	CEO	BC Film	Vancouver	BC
Lisa	Clarkson	Sen. Dir., Business, Rights & Content Management	CBC	Toronto	ONT
Amanda	Cliff	Dir. Gen., B-cast Policy & Programs.	DCH	Ottawa	ON
Amanda	Coles	Consultant		Hamilton	ON
Tom	Cox	Producer	CMPA, Pres.	Calgary	AB
Kirwan	Cox	consultant		Montreal	QU
Kevin	Dewalt	Producer	Minds Eye	Regina	SK
Phillip	Djwa	Producer	Agentic	Vancouver	BC
Connie	Edwards	Producer	Souleado Entertainment	Edmonton	AB
Ina	Fichman	filmmaker	Intuitive Pictures	Montreal	QU
Peter	Foster	Dir. Gen., TV Policy	CRTC	Gatineau	
Scott	Garvie	Producer	Shaftesbury	Toronto	ON
Louis	Ghiz	Business Development	New Media Manitoba	Winnipeg	MB
Ron	Goetz	Producer	Partners in Motion	Saskatoon	SK
Paul	Gratton	Former Chair, CTF		Toronto	ON
Brian	Hamilton	Producer	Omni	Vancouver	BC
Rob	Hardy	Production Exec.	CTV	Toronto	ON
Tim	Hogan	Producer	Dream Street	Moncton	NB
Merit	Jensen-Carr	Producer	Merit Motion Pictures	Winnipeg	MB
Peter	Katadotis	TFC, ret.		Halifax	NS
Phyllis	Laing	Producer	Buffalo Gals	Winnipeg	MB
Chuck	Lapp	filmmaker	DOC	Halifax	NS
Mary	Leckie	Producer	Screen Door	Toronto	ON
Rick	Leguerrier	Producer	Dream Street	Moncton	NB
Laura	Lightbown	Producer	Terra Films	Vancouver	BC
Ann	MacKenzie	Exec. Dir.	FNS	Halifax	NS
David	MacLeod	Producer	NSMPIA	Chester	NS

Suzanne	Makela	Dir Prog. Funds & Policies	Corus	Toronto	ON
Julian	Martin	Regional Affairs Director	Public Works	Edmonton	AB
Iris	Merritt	Project Officer	Yukon Film Commission	Whitehorse	YT
Josh	Miller	President	AMPIA	Edmonton	AB
Joe	Novak	Producer	Bow River Productions	Calgary	AB
Richard	Paradis	Consultant	Le Groupe CIC	Laval	QU
Paul	Pope	Producer	CMPA	St. John's	NL
Alex	Raffe	Producer	Savi Media	Vancouver	BC
Anand	Ramayya	Ind. Prod, plus conveg	Karma Films	Regina	SK
Peter	Raymont	Producer	White Pine	Toronto	ON
Justin	Rebelo	Hd. Cdn Acquisitions	Super Channel	Toronto	ON
Moyra	Rodger	Producer	Magnetic	Vancouver	BC
Mark	Sandiford	Producer		Charlottetown	PEI
Andra	Sheffer	Exec. Dir.	Bell Fund	Toronto	ON
Shipton	Christine	VP, Original Programming	Global TV	Toronto	ON
Liz	Shorten	Managing VP	CFTPA	Vancouver	BC
Michael	Snook	Producer	Last Mountain	Silton	SK
Alain	Strati	VP, Specialty TV & Dev't.	Rogers	Toronto	ON
Kim	Todd	Producer	Original Pictures	Winnipeg	MB
Tara	Walker	Exec. Dir.	On Screen Manitoba	Winnipeg	MB

Appendix B

Preliminary recommendations from Prairie producer associations

The regional topic was on the radar of more than the CMF this summer. Just before work on this study began, some regional production associations began discussions on the topic, with a view to providing CMF with a policy paper this fall.

The final version of this proposed paper was not available to the research team, but a representative of the Prairie group (On Screen Manitoba, SMPIA and AMPIA) did provide this interim list of recommendations for our information. It was emphasized at the time that this was a preliminary list, and still in the discussion phase. The research team quizzed the interviewee for more details about how some of these suggestions would work, but not all details had been determined at that point.

- Provinces should be used for evaluation of production volumes, not areas or regions.
- Create an incentive for regional development
- Boost the factor for regional production in the BPE.
- Bring back the regional 5% bonus. Introduce a key creative bonus of up to 4%.
- Require broadcasters to spend what they earn through the regional factor in the BPE in the region it was earned in during the subsequent year.
- Give priority to drama series in all CMF programs.
- Adjust the Documentary POV program to include a regional bonus for producers in those provinces without and Educational broadcaster.
- Co-production ownership should be 50/50.
- Investigate an incentive for regionally based Experimental production.
- Find a way to close the distance between decision makers and producers.

Appendix C

Small/Medium Enterprises definitions

Industry Canada

Small: Fewer than 100 employees if a goods-producing business
Fewer than 50 employees if a service-based firm)
Medium: up to 500 employees

Stats Canada

Any business with 0 to 499 employees, and less than $50m gross revenues

European Union

Medium: Any business with a headcount fewer than 250
Small: Fewer than 250
Micro: Fewer than ten

CTF (2003-04 guidelines)

SMEs: Gross annual consolidated (including related companies) of less than $25 million averaged over the past three years of less depending on the age of the company; and

Are not related to any company that exceeds the above threshold.

(Excluded "large companies that are publically traded, but does not exclude small publically traded companies.)

Department of Canadian Heritage (March 2004 Nordicity study on Cultural SMEs)

300 employees and total revenues of $25 million as upper limits