



November 5, 2019

Canada Media Fund
50 Wellington Street E., Suite 202
Toronto, ON
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Attention: Valerie Creighton, President and CEO
Nathalie Clermont, VP, Programs and Business Development
cc: Rod Butler, Director, Programs and Policies

Dear Valerie and Nathalie,

Re: 2019 Industry Consultations

On behalf of the Board of Interactive Ontario ("IO") and the over 300 companies that it represents in Ontario's Interactive Digital Media ("IDM") sector, we are pleased to have this opportunity to present to you our written comments as part of the Canada Media Fund ("CMF") 2019 Industry Consultations. IO participated in the Working Group discussions and found them to be productive. We are following up with the below recommendations, which have arisen both from the Working Group discussions and our consultation with IO members.

Experimental Fund Structure - Games Stream

In the Briefing Note, the CMF proposed creating a stream for games and another for all other IDM to balance what is currently a high percentage of funding for games. This proposal was also raised during the 2018 Consultation, and at that time, IO advised CMF that IO members were of the opinion that the high percentage of games was due to the evaluation criteria. IO does not support creating separate streams for Games and "Non-Games." Instead, we recommend continuing with the Innovation and C2P streams, but revising the criteria metrics to better reflect the Commercial and Innovation goals of the two streams.

It would be difficult to define Game and Non-Game IDM clearly, particularly with so many IDM projects that have elements of game mechanics in their structure. Defining projects as game or non-game would limit innovation, particularly with narrative gaming and other developing genres. There is a concern that established game evaluators would tend to emphasize more mainstream game genres, such as first person shooters. This kind of emphasis would be a particular detriment to those trying to target underserved audiences or innovate in game mechanics. "It could limit real innovation in story and experience and discourage diverse teams from doing different things from mainstream."^[1]

IO canvassed its members on this topic and they are adamant that creating Game and Non-Game streams would not solve the problem, but would instead create new problems such as creating a clear definition of a Game and Non-Game and studios struggling to fit a project into one definition or the other. If there were to be two separate streams, it is expected that producers would define their projects as the format that they feel is easier to get funded or which has less competition. Forcing producers to fit within artificial definitions would hamper innovation and experimentation. Creating Game and Non-Game IDM streams would also be inconsistent with the CMF's stated intention to eventually be platform and content agnostic.

Instead, IO members have suggested that while last year's revisions to C2P to remove the need for innovation does differentiate it from the Innovation program, there would be even more of a difference if there was less emphasis on business model and financial return under the Innovation Program. It is difficult for innovative projects to define a business model and accurately predict revenue, particularly if they expect to be the first to market, are creating IDM for emerging markets such as XR, or are creating experimental IDM pushing the boundaries of interactive storytelling. Truly innovative projects have unknown revenue potential but can create lasting impact on businesses and even the sector as a whole. Business model and revenue projections are part of the "Financial Viability" category which is worth 25% in the evaluation of C2P applications and 20% in the evaluation of Innovation applications. IO proposes that instead of 'relevance of preliminary revenue model,' 'profitability analysis' and 'return on investment', a truly innovative project should instead be assessed on whether there is potential for audience reach and recognition, market demand, likelihood for critical success and potential for awards at home and abroad, and/or the potential impact of the project on the producer's business. This type of change to the evaluation criteria would offer alternative metrics to measure and evaluate projects applying in the Innovation Stream that are more aligned to the objective of the Stream. This would encourage truly innovative projects to apply to the Innovation program and more commercial projects with a sound business model to apply to C2P.

Finally, a more favourable recoupment policy has encouraged producers to apply to Innovation rather than C2P. Creating a common recoupment policy, or a more favourable policy to the C2P since it has a lower financial risk, would remove this incentive and encourage high-revenue potential projects to apply to C2P.

Regional Representation

IO is sympathetic to the concerns of the BC IDM industry regarding a perceived lack of fair representation in successful applications. Several years ago, Ontario experienced a similar imbalance. At that time IO met several times with CMF staff to raise concerns and reviewed statistics to try to identify causes. One potential cause identified was the fact that few Ontario producers were taking advantage of the opportunities to meet with analysts to review their application prior to submitting it, while most Quebec producers were. The pre-application meeting was seen by CMF to be a great opportunity to get the feedback necessary to refine and improve applications. As a result, IO strongly encouraged its members to book pre-application meetings and provided networking opportunities so that CMF staff and Ontario producers could get to know each other and have opportunities to ask questions. These steps had a significant positive impact on the number of Ontario-based projects that were supported by the CMF.

It is therefore the view of IO that rather than impose artificial quotas or a regional bonus, which will not take into consideration the trends in creativity across the country, CMF and the BC industry should look more closely at the causes of the lack of representation. It is conceivable that BC producers are also not taking advantage of pre-application meetings or have not had enough opportunities to network and best understand the goals and objectives of the CMF programs, which may result in stronger applications from the region.

IO supports the suggestion that CMF evaluation juries are more representative of the country and include more jurors from all Canadian regions.

Marketing Plans

IO is supportive of the recent change in Guidelines which incorporated Marketing into the Production budgets and funding as it encourages producers to consider the marketing of their projects at an earlier date. However, IO members are finding that the 5 page limit on marketing plans is overly restrictive and does not allow them to properly explain their marketing strategy. If the limit was increased to 15 pages, not only would producers be able to explain their marketing strategy in more detail, but they would be encouraged to put more thought into it. A higher page limit would result in more effective marketing and therefore a higher return on CMF's investment.

Data

IO recognizes that given that CMF has not yet completed the fiscal year since last year's changes, there is no data to share that will demonstrate impact of any of the changes. However, IO encourages the CMF to share the data in a timely manner as soon as it is available. In particular, information on the return on investment, recoupment and successful completion and commercial launch on all projects, identified between Innovation stream projects and C3P/C2P stream projects, aggregated by year, would be very useful to have when discussing changes in the evaluation grids or definitions.

Reduction of funding for IDM

IO is very concerned that a number of last year's guideline changes impacted both the funding of IDM through the Convergent stream and broadcaster incentives to invest in IDM. Anecdotally, IO members have shared that there has been a 'radical reduction'^[2] in IDM business coming from convergent production (both from producers and directly from broadcasters) which has required a number of producers to change their business models and look for partners in other sectors. IO encourages the CMF to provide both timely data and analysis of the drop in IDM convergent production as a result of the past year's guideline changes.

However, IO is concerned that a second year under the current guidelines would cause irreparable damage to convergent IDM and broadcaster use of IDM to market and support their broadcast properties and would therefore welcome a return to funding and incentives such as the CDMI and the digital media factor weight in the next fiscal year's guidelines.

It seems to IO that prioritizing linear content at the expense of IDM is departing from CMF's previously stated goal of working towards a platform and content agnostic approach, consistent with the evolution of content forms and audience consumption. It is vital for Canada's competitiveness that the government, through its support of the CMF, continue to support the evolution of Canadian content to the benefit of both Canadian audiences and the success of Canadian creative industries in global markets.

IO and its members are proud to contribute to the growth of the creative industries in Canada and help position Canada as a leader worldwide. It is imperative to recognize the importance of the IDM sector for the future of the Canadian creative industries, and to reflect this accordingly in the level of CMF funding for this sector.

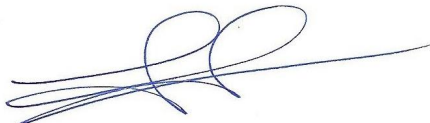
Conclusion

IO has always appreciated the ongoing dialogue that we have had with CMF and hope that we can continue to work out the details of any of the above that CMF would like to explore. We would be happy to organize a meeting with IO members should CMF wish to explore some of the practical aspects of proposals made in this submission.

IO recognizes that it may be premature to assess the many changes to the Experimental Fund and the DM component of the Convergent Fund in the 2019-20 Guidelines, but we look forward to reviewing the data and assessing the impact of the changes, and where possible, seeing revisions in the 2020-2021 Guidelines to limit any unintended consequences.

We would like to reiterate the message that we heard from members repeatedly. They are grateful for the existence of the CMF Experimental Fund. Their projects and their businesses have benefited from it over the years. CMF staff have been helpful and the guidelines and contracts have improved year to year. These suggestions are intended to help make the Fund even better with the goal of working with the CMF to maximize the growth and international competitiveness of the Canadian IDM sector.

Yours Truly,



Lucie Lalumière
President and CEO
Interactive Ontario

^[1] Note from Sasha Boersma, Sticky Brain Studios/Possible Futures, November 27, 2018

^[2] Deb Day, Innovate By Day, Consultation Conference Call, October 2, 2019