



canadian interactive alliance
alliance interactive canadienne

November 27, 2016

Secretary General
Canadian Radio and Television Commission
1 Promenade du Portage
Gatineau, Quebec
J8X 4B1

Email: Danielle.may-cuconato@crtc.gc.ca

Dear Madame Cuconato:

Re: Request for a one year transition period for the implementation of new CIPF policy framework, CRTC 2016-1125-2

Dear Ms. May-Cuconato,

1. These comments are filed by the Canadian Interactive Alliance/Alliance Interactive Canadienne ("CIAIC") in respect of the above-noted Part 1 application.
2. The CIAIC is a bilingual not-for-profit trade association formed in 2005 to serve as the voice of Canada's digital media industry. CIAIC's membership is comprised of Canada's six existing provincial interactive digital media trade organizations: Alliance Numérique, DigiBC, Interactive Ontario, New Media Manitoba, Digital Nova Scotia and SaskInteractive.
3. Canada's digital media companies create a wide variety of digital media products and services for both digital media affiliated with television programs and standalone digital media including video games, Augmented Reality (AR), Virtual Reality (VR) and Mixed Reality (MR) products, cross-platform content, e-Learning, web series and mobile content. Many of these companies have built their businesses on creating affiliated digital media content for, with and as part of Canada's television industry.
4. CIAIC has consulted with its member companies and offers these comments in support of the Bell Fund's request for a transition period and an increase in the cap

for non-programming digital content. This submission will use the term digital media to be consistent with industry terminology and the Bell Fund's definition:

“A digital media project must be comprised of content that is designed for and delivered on a digital network and is created to extend, enhance and complement the television viewing experience or projects where the television viewing experience complements the digital content or where both television and digital content are equally a part of the user experience. Interactive content may also include original linear content such as webisodes.”¹

5. CIAIC is very concerned that the revised framework in 2016-343 will undercut the digital media sector in Canada at a time when it is playing a major role in enhancing the discoverability of Canadian television, acts as a sales tool for television producers and distributors in international markets and provides additional revenue streams to Canadian television producers and broadcasters. Damage to the Canadian digital media industry will therefore cause immediate and direct damage to the Canadian independent television production industry as well as the Canadian broadcast system as a whole. **CIAIC therefore recommends that the CRTC reverse its decision to impose a 10% cap on aggregated affiliated and non-affiliated non-programming content in order to allow Canada's digital media sector to continue to support the Canadian broadcasting system.**

6. **In the alternative, CIAIC supports the Bell Fund's requests for a transition year and an increase of the 10% cap as set out in their letter dated October 3, 2016.** The CRTC 2016-343 decision was effective September 1, 2016. It has taken time for the industry and the CIPFs affected to understand the impact of the decision and for the Bell Fund to file its request. The industry and the CIPFs will not be able to start planning for the future until a decision is made in response to the Bell Fund's Part 1 application. CIAIC would therefore request that the one-year transition period commence on the date of the CRTC decision agreeing to the transition period.

HISTORY

7. The Bell Fund was established in 1997 and has been funding digital media (also known over that time as multi-platform, cross-platform, convergent and transmedia) associated with television programs for all that time. The Bell Fund was cutting edge in Canada and around the world when it was first established and chose to focus on innovation. It was a time of experimentation as young companies were established and television producers and broadcasters explored the new medium. Decode Entertainment (which later went on to

¹ Bell Fund, Guidelines, Production Program February 2016, pg. 5.

become DHX Media), Breakthrough Entertainment, marbledmedia and Secret Location were among the companies that received funding for projects in those early days that allowed them to build, develop skills and establish themselves in the global market. Individual producers (e.g. Patrick Crowe, Thomas Wallner, Judith Beauregard) have gone from employees at one company to establishing their own companies (Xenophile, DEEP, TOBO respectively) with Bell Fund support. Several companies (e.g. Nerd Corps, Paperny, Smokebomb) were able to grow big enough to become acquisition targets with the help of the Bell Fund.

8. Projects that first year (e.g. “Dish It Out”, “Jacob Two Two”, “Popular Mechanics for Kids”) relied heavily on discussion forums, quizzes, databases and in one case, were delivered by CD-ROM. Key elements were more information on the television program, schedule guides and short video clips from the television program. They may not appear innovative now but at the time they definitely were as they explored technology, storytelling, distribution and business models.
9. As the industry matured, so did the projects evolve. Television producers and digital media producers got better at partnering and their projects became more successful as a result. TV producers like Nerd Corps, Shaftesbury and marbledmedia started setting up their own interactive divisions to bring the necessary work in-house. They became convergent producers. Broadcasters developed a better understanding of what their audience wanted from the digital extensions and how to use them to grow their audience, keep the audience engaged between seasons or over breaks in the season, and build their broadcaster brand. Buyers in certain genres like children’s and documentaries started demanding to see the digital extension before agreeing to license the television show. Producers explored revenue potential from the digital platforms (e.g. licensing, advertising, subscription fees, merchandising) and ways to better integrate the television and digital media platforms. The Bell Fund evolved from encouraging innovation and experimentation to being focused on excellence and expecting the digital media project to be well-executed, properly strategized and appropriate for the audience.
10. While most television producers understand the importance of digital media extensions to discoverability, international sales and revenue generation, Canadian broadcasters are not universal in their reliance on and support of affiliated digital media extensions. Some appear to see them as a cost of doing business, required by the Canada Media Fund as part of the calculation of their envelope and eligibility for the top up. Other broadcasters, particularly the smaller ones, see the real advantage to their brand and the television shows that

they broadcast. Smaller broadcasters may not be able to afford to invest in many affiliated digital media projects but value the extended reach that they provide.

11. As the goal, ultimately of the Bell Fund is to support the Canadian broadcasting system, the Bell Fund does not require specific levels of support from broadcasters but does reward increased support provided by cash licence fees, in-kind services and promotion. All applications must include a Broadcaster Support Form which not only sets out the degree of support to be provided but also the goals of the broadcaster in supporting the affiliated digital media. While these documents are confidential, DHX Media has agreed to provide one, attached as Schedule "A", which was part of the application for "Slugterra Season 4", to assist the CRTC to better understand the relationship. Please note that in this case Family Channel (owned by DHX Media) licensed the right to include elements of the digital media (primarily games) on their website and in their social media channels and to link to the full "Slugterra" website. Their goals were to: "increase audiences for the associated television program", "increase users on the broadcaster website" and "develop a community". They anticipated 50,000 monthly active users and revenues of \$100,000 per year (primarily in-app purchases from the games). This form demonstrates how the broadcaster uses the affiliated digital media as a tool to support both the television program and the broadcaster and in some cases, can see it as a source of revenue.
12. The Bell Fund is the biggest CIPF funder of affiliated digital media but Québecor Fund, Shaw Rocket Fund and the TELUS Fund eventually joined it in funding affiliated digital media, though at smaller amounts. The Canada Media Fund also has participated in funding affiliated digital media through different envelopes, though it generally requires a greater commitment from the broadcaster than do the CIPFs.

CURRENT ACTIVITY

13. Currently there are a wide range of digital media projects affiliated with television productions including e-books, immersive first-person video experiences, VR and AR, mobile games, online games, web series, tools and apps, and yes still databases, discussion forums and information about the broadcast schedules, cast, crew and characters. There are a very wide variety of projects of different budgets and digital platforms that are all being used to drive audiences to the television program, make international sales and generate revenue. The following are a few examples of recent projects.

14. “Polar Sea” is a 360degree immersive video project with iOS and Android apps produced by DEEP as the digital media producer and Primitive Entertainment as the documentary producer. The documentary tells the linear story of three amateur polar explorers while the 360degree video allows the audience to step into their shoes and explore the arctic. The project attracted financing from ARTE, a European broadcaster, and TVO. It broke new ground for 360degree technology and storytelling and was the most successful interactive project for both TVO and ARTE in 2014. The mobile app has been downloaded in 176 countries around the world.
15. “Slugterra” is an animated series produced by Nerd Corps, now a DHX company, and originally broadcast on Disney XD (now Family Chrgd). Nerd Corps also produces the mobile games, which have been funded over several seasons by the Bell Fund. The games allow kids to continue to engage with the series even when it is not being broadcast. The games have been hugely popular with several versions (Slug It Out, Slug It Out2, Slugslinger Showdown, Slugterra: Guardian Force) released. The games earn revenue through in-app purchases (micropayments which allow the player to buy exclusive items and improve their game play). The original game has earned \$2.83 million in gross revenue to date with 7.5 million downloads worldwide. The direct engagement with the fans created by the games allows Nerd Corps to advise them of new episodes in the series, broadcast times and merchandising opportunities, increasing demand for continued licensing of the series around the world.
16. “Murdoch Mysteries” has been a huge success for first CITY-TV and then CBC. Since season 3 Smokebomb (now a division of Shaftesbury) has been producing digital extensions to engage the active fan base and help sell the series internationally. It has licensed the digital extensions to international broadcasters while licensing the television show, developing a revenue stream. The tenth season of “Murdoch Mysteries” saw Smokebomb drive fans to engage in a mystery that started with an online story, clues and mini-games and then played out in live events in five Canadian cities and London, UK (where the series is also broadcast).
17. Switch United, as digital producer, Innovate By Day as social media campaign producer, Screen Siren Pictures, as television producers, and Bell Media as broadcaster, are currently working on a Canada 150 project funded by the Bell Fund, “Canada in a Day”. Through a platform created by Switch United and a social media campaign created and managed by Innovate By Day, Canadians

were encouraged to produce videos about Canada on September 10, 2016. Over 11,000 videos were submitted. They are being edited by Screen Siren Pictures into a broadcast episode which will air summer 2017 on CTV as part of the Canada 150 celebrations. Digital producer, television producer and broadcaster are all working together to engage Canadians in both the process and the finished broadcast episode, all in celebration of Canada's milestone birthday, which would not exist but for the digital media components.

18. TOBO Studios is a digital media producer who has produced many digital media projects for children's television producers with funding from the Bell Fund, CMF, Shaw Rocket Fund and Québecor Fund. For example, with funding from Shaw Rocket Fund, CMF and Québecor Fund TOBO produced "Toopy and Binoo" adventure stories in English and French for iOS, Android and web for television producer Echo Media and broadcaster TreehouseTV. Each story has three mini-games, allowing kids to engage with the characters and stories. The first adventure is free and the other two are available to purchase, opening a revenue stream for the producer.
19. Innovate By Day is a targeted digital media company that provides a very specific skill set for television production companies. It helps the television producers and broadcasters leverage their fan communities to help get these television shows discovered at home and around the world. By creating web series and other video content, quizzes, social media campaigns and supporting fan communities on a variety of social media platforms they have been able to help grow the audience for APTN's "Mohawk Girls" beyond the traditional APTN indigenous audience including supporting its broadcast in Australia.
20. "Learn Chinese with Miao Miao" was produced by Mark Media for Chinese-language Canadian broadcaster New Tang Dynasty. It is a true cross-platform property with television programs, learning apps and online resources for parents and teachers. Bell Fund's early support allowed Mark Media to extend the brand and its distribution around the world with over 15 million now reached through all iterations of the brand.
21. Stitch Media is currently working on the second season of the digital extension of multiplatform property "Home to Win" produced by Architect Films for HGTV. In the first season the website included standard video clips from the series and original how to video clips and articles but the core of the site was a VR tour of the home and the ability for the audience to create custom 3D versions of the rooms in the home. The website was also the platform for Canadians to audition

to participate as contestants to earn a chance to win the home being designed in the series. Over 4 million Canadians enjoyed the website, over 100,000 audition videos were received and over 100,000 custom-designed rooms were submitted. The success of the website and the fan engagement was directly responsible for the renewal of the television series. Stitch Media is currently working on a website that they expect to be even more engaging for the fans of and participants in the show.

22. One of the best examples of the evolution of convergent media in Canada has been the evolving support of “Degrassi: The Next Generation” produced by Epitome Pictures (now a DHX company) and broadcast by CTV (and then MUCH and now Family Channel). In its early iteration, it housed and supported discussion forums for fans to talk about the show, information on the characters, mini-games and customizable ‘lockers’ to showcase both creativity and fan love. “Degrassi” was one of the first Canadian television shows to use web series to bridge fans between seasons or between breaks in the schedule. They experimented with the kinds of story lines that interested the fans. More recently, “Degrassi” is no longer trying to keep fans on their website but seeding content and fan activity where the fans already are on Snapchat, Tumblr, Instagram, Twitter, YouTube, or Facebook. Content includes GIFs, videos and memes. The audience has demonstrated that they are less interested in games but prefer more story and a safe place to talk about the issues raised in the program so the content has evolved to address their interests and keep them engaged.

RECOMMENDATIONS

23. More than just investing in digital media projects, throughout the past 20 years the Bell Fund has fostered digital media companies across Canada to support regional voices and provide local choices for television production companies across Canada. It has mentored new companies, run workshops and provided feedback to help producers develop their business skills. As mentioned in the Bell Fund’s letter, it has provided over \$152 million in funding to over 1000 digital media projects associated with television programs.
24. This is now at risk with the new framework for CIPFs and the introduction of a 10% cap on funding for both affiliated and standalone digital media, which the CRTC has combined and defined as ‘non-programming digital content’, to replace the previous 10% cap on standalone digital media.

25. **Accordingly, the CIAIC is recommending that the CRTC return to the previous cap of 10% on standalone digital media and allow CIPFs to continue to support the digital media that both television producers and broadcasters rely on to build their audiences, their international sales and their revenue from Canadian television.** CIAIC understands that the previous cap was intended to ensure that the bulk of the BDU contributions would support the Canadian broadcasting system and not go to fund projects not currently part of the Canadian broadcasting system. As demonstrated by just the few case studies cited above, funding for affiliated digital media has consistently benefitted the Canadian broadcasting system. The CIAIC does not understand the rationale that combining affiliated and non-affiliated under the 10% cap is necessary to support the Canadian broadcasting system and in fact believes that the opposite is true.
26. **Should the CRTC decide to maintain the new cap, the CIAIC urges the CRTC to substantially increase the cap.** Based on current BDU revenues, the 10% cap would reduce Bell Fund funding to affiliated digital media from \$14 million to \$1.4 million, in both languages. Digital media project budgets generally range from \$100,000 to \$400,000, depending on the scope of the project and the needs of the television producer and broadcaster. The Bell Fund funds a maximum of 75% of the project, a level required because there are few other funders in the system. Broadcasters are reluctant to fund production (other than the minimum required to trigger matching funds from Bell Fund or allocations from CMF) when those costs cannot be claimed as Canadian Programming Expenditures. At a maximum, the Bell Fund would be able to fund 15 to 20 projects (in both languages), down from approximately 200 projects in 2014-15.
27. As mentioned above, a transition period to adjust to the new cap is essential for both the CIPFs affected and the production industry. The CIPFs need time to strategize with their boards and adjust their guidelines and application forms. With fewer resources, broadcasters, television producers, convergent producers and digital media producers need time to adjust their production plans, business models, distribution strategies and marketing plans both for their current slate of projects and the entire direction of their companies. Companies that have evolved into convergent companies will need to consider the extent that they need to lay off staff or close divisions. Digital media companies will need to consider alternate clients or laying off staff. Broadcasters will have to decide on which projects to focus the available funding for affiliated digital media and how they will engage audiences for the balance. With the significantly reduced ability

to create digital extensions that help to sell television programs around the world, distributors are likely to reconsider their distribution catalogue. **CIAIC strongly encourages the CRTC to provide the CIPFs and the industry with a transition period of one year from the date of the decision in response to this Part 1 application.**

CONCLUSION

28. CIPFs are an essential part of the funding of Canadian content on multiple platforms. The CIAIC hopes that in this submission it has helped the CRTC to understand just how valuable the CIPFs have been to the affiliated digital media sector and how valuable those productions have been to the Canadian broadcasting system. We urge the CRTC to make a decision in response to the Bell Fund's request by the end of the calendar year to allow the CIPFs and the industry to start to adjust production plans as soon as possible.

Respectfully submitted,



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Chair, Canadian Interactive Alliance/Alliance Interactive Canadienne (CIAIC)

c.c. Nancy Chapelle, Bell Fund

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