



November 19, 2013

SENT VIA EMAIL

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Dear Sirs/Mesdames:

Re: CMF Consultation Tour 2013: Interactive Ontario Feedback

Interactive Ontario Industry Association (“IO”) is a federally-incorporated not-for-profit corporation originally established in 2001 as New Media Business Alliance, and renamed Interactive Ontario Industry Association in March 2007. IO is an industry trade association representing approximately 300 companies involved in the interactive industry across the province of Ontario.

Companies represented by IO cover a range of sectors. Members of Interactive Ontario include game developers and publishers, eLearning companies, middleware developers, web and mobile content creators, and transmedia and cross platform producers and broadcasters. The vast majority of these companies create content that is currently supported by the Canada Media Fund (“CMF”). IO also works with many interactive digital media (“IDM”) stakeholders including those working in government, marketing, law, accounting services, research and academia. Significant clusters of activity are located in the Greater Toronto Area, Ottawa and London.

IO is the voice of the interactive industry in Ontario. Its mandate is to assist member organizations in growing their businesses and keeping policy-makers informed about the needs of the industry. As such, we would like to thank the Canada Media Fund for going to such lengths to encourage industry feedback. It is a privilege to be able to respond to this consultation and we look forward to the outcome.

To stimulate growth of the digital media content industry, IO’s primary activities include: researching the industry; providing education and training to members through a range of programming including conferences and lunch sessions; promoting the Ontario interactive industry within and outside of Ontario; developing industry-focused recommendations and promoting these recommendations to all levels of government for the direct benefit of the digital media content industry; and providing networking and business development opportunities to members.

Our feedback to the CMF consultation process is primarily on the Experimental Stream, Convergent Stream as it pertains to Digital Media Content, and a few notes on the Objects of CMF Financing.

Experimental Stream

The questions posed by the Canada Media Fund cover a range of issues voiced by the industry regarding the Experimental Stream, mostly centralized around the oversubscription and eligibility. However the introduction of additional eligibility criteria is not the solution. While including additional criteria may reduce the number of applications, doing so does not address the fact the Experimental Stream is becoming a vital initiative in the Canadian interactive digital media sector. Of course, as a trade association encouraging the growth of the interactive digital media sector, **we support any opportunity for the CMF to increase its funding allocation to the Experimental Stream**, but we acknowledge this may not be an immediate solution. For this reason, **we recommend the Canada Media Fund look to ways to adjust framework and scope** to be more specific to what types of projects the Stream is looking to support, and clarifying aspects of eligibility to better guide applicants on the appropriateness of their product to the program.

Due to the oversubscription to this Stream, **we strongly recommend the CMF maintain interactivity as a requirement for all projects**, and that projects relating to television or film properties remain ineligible. The Convergent Stream was created for the support of properties for television and film (and their related digital media components), to allow those projects access to both Streams will only increase the pressure on the Experimental Stream. Additionally, while we acknowledge the growth of web series in the Canadian media ecosystem, due to oversubscription is difficult to justify an increase in the scope of eligible products for the Stream to encompass online video content. However, video content as part of larger rich interactive digital media experiences should continue to be eligible.

While interactivity is a must, **Interactive Ontario recommends the CMF reconsider the eligibility of technical platforms** under the Experimental Stream, and instead only projects defined as “interactive content” should have access. Technical platforms are already provided financial support from a variety of federal initiatives including SR&EDs and IRAP, while there is a shortage of support for content production. Technical development to drive content experiences as part of content funding should remain eligible, but experiences that are predominantly about building technical platforms as commercial products or services, should be excluded.

Our membership has expressed concern about the clarity of the jury process, and its effectiveness. The Ontario Media Development Corporation’s Interactive Digital Media Fund uses a two-tier evaluation structure where ‘content experts’ analyze the

documentation relating to the project (concept, budget, business/marketing plan, etc.), then the entire proposal with the expert's notes are provided to a jury. This process helps inform jury members less familiar with certain interactive experiences by providing them with support to make fully informed decisions. While time consuming, it allows for clarity and consistency in the feedback applicants receive if not successful.

Interactive Ontario recommends that the CMF reconsider the current framework where innovation is the main evaluation criteria. Innovative experiences do not guarantee ROI. In fact, the pressure to be both innovative and have a detailed business model with projections is often conflictual and does not always lead to the best projects. Therefore, we suggest to considerably reduce the weight of the Innovation factor in favour of new criteria, more specifically Quality, Creativity and Feasibility. These new criteria will encourage funding of realizable projects that offer usable and appealing experiences to target markets.

One of the CMF's strategic objectives is to "reward those who make and those who distribute successful content". If there is an opportunity for the CMF to expand its definition of "success" to not just be financial, but also in the producer's proof of user engagement, it would allow for the creation of some truly innovative user experiences. However, if the Fund is mandated to define success as revenue, we recommend the Innovation criteria be amended to "Innovation with an economic potential", allowing producers to explore opportunities for financial success not just specific to the product, but through the future opportunities for the studio having developed frameworks for new experiences.

The CMF has asked its stakeholders if it should continue to fund projects at three different stages. We would like to offer the CMF two proposals as an answer. In both scenarios, we propose leaving the Marketing stage as-is, and only revise the Development and Production stages.

Our initial response, is "no". **The CMF should collapse the Development and Production stages into a single "product stage"**. The nature of the development/production cycles for interactive content is increasingly blurred. Additionally, the timing to apply to the CMF for one stage and then the other does not always line up with development/production realities. End goals out of the 'development' stage, as the CMF outlines them, are not consistent one studio to the next. Instead of companies struggling to determine which stage to apply to, they should be allowed to submit to the CMF at the appropriate point in their internal development/production cycle, with clearly defined deliverables made possible by the CMF's contribution.

If the CMF is open to revisiting the implementation of its mandate with the Experimental Fund, we would like to offer the Fund a second answer, which is "yes". Further to our notes above regarding the difficulty for producers to be both innovative and have fully detailed business plan, **we would like to propose the CMF consider collapsing Development and Production in their current definitions, and recreate two different streams:** a true 'Experimental' or 'Innovation Development' stage, and maintaining a 'Production'

stage (collapsed as detailed above as a ‘product stage’, except in this scenario repositioned as a ‘market-ready stage’) with the strong ROI requirements. True innovation evolves from being allowed to explore and experiment. If the Development stage is redesigned into a true ‘Experimental or ‘Innovation Development’ stage, removing the emphasis on ROI and allow interactive content creators to simply create. Unlike our colleagues in film and television with clearly defined development stages, interactive products are often more interactive in their structure - taking an idea, implementing it as a test, then revising, re-releasing, with the end result being the creation of new forms of engagement and interactivity before they are a market trend. With this two-tiered product-driven model, the CMF will still hold true to its mandate of both innovation and ROI, but separated across two different stages of funding.

Convergent Stream

Interactive Ontario acknowledges the Canada Media Fund’s mandate of managing priorities is a difficult one due to the wide-range of industry stakeholders. Its roots in the Canadian Television Fund means much of the discussion around the Convergent Stream is focused on the various television-related guides and envelopes, while now also being required to balance out the needs of digital media producers.

We strongly support the Convergent Stream’s emphasis on value-added content in the form of the digital media component. **The current 60% spending requirement on projects with DM components is also still appropriate.** While we would like to see a higher requirement, we know that would stretch the already limited funding available for making quality digital media components, and that not every television program needs companion value-added content.

Regarding the recognition of other activities or expenditures for purposes of qualifying a project as convergent, **Interactive Ontario encourages the CMF to consider expanding the “rich and substantial” definition in the Convergent Stream to allow for detailed “social and content strategies”.** Beyond making apps and websites, for many genres of television programming cultivating an audience using social media platforms requires considerable cost in labour to prepare an editorial calendar, edit video content into shareable snippets, write content for social platforms, prepare graphics for ‘meme generation’, and ensure it is all timed to broadcast efforts. While this expansion does pose potential administrative issues (to ensure those under this type of product are not simply tweeting “watch my show!”), there are now key documents and processes that experienced social media and content strategists prepare and plan for as part of execution. Our membership would be pleased to advise and support the CMF in the shaping a definition and deliverables for this recommendation to fit as a “value add”.

In addition to the questions posted by the CMF through this consultation process, it is also clear the Convergent Digital Media Incentive (CDMI) is hugely oversubscribed while broadcasters juggle their envelope spends to maximize funding available to television

programs. To reduce the pressure on broadcasters to allocate envelopes and juggle digital media component contributions, **Interactive Ontario recommends an increase the CDMI envelope to adjust for the demand.**

Additionally, the current system of the CDMI is not working - to have the entire incentive gone in a single day as it was in 2013 is not healthy for the ecosystem. Not only does it not allow for projects developed later in the year to access funding, but it does not ensure funding is evenly distributed across a variety of projects and applicants. The CMF has to **put in place mechanisms to ensure the CDMI funds are distributed equitably among participating groups in the industry (e.g. independent producers, small broadcasters, large broadcast families).** Interactive Ontario also strongly urges the **re-examination of the administration of the Incentive** to better allow for funding to be released through the fiscal year and not crunched on a single opening day.

Objects of CMF Financing

Interactive Ontario would like to thank the Canada Media Fund for being progressive in finding diverse ways to support the interactive digital media industry. For example, the CMF currently supports the industry through its Industry development fund. This funding is used by organizations such as Interactive Ontario to provide valuable programming to their members and to the industry at large. **By providing industry associations with funding to support programming, the CMF also provides a mechanism for these associations to build or maintain capacity.** In the case of Interactive Ontario, the CMF's financial support of IO events through the industry development program also enables IO to support its members directly and to help IO fulfil its mandate of assisting member organizations in growing their businesses. **Additionally, the CMF's support of research projects provides all members of the sector with valuable business intelligence and data to help support the growth of the industry generally.** Ontario's digital economy is rapidly growing in regions outside of Toronto, including Waterloo, Niagara Region, London, and Ottawa. It would be Interactive Ontario's pleasure to support the CMF through the exploration of how to further support the regional diversity of digital media products.

Interactive Ontario also encourages any support the Canada Media Fund can provide to assist in business development and consumer outreach with digital products. The new Accelerator Program is an example of such new programs for business development. On the marketing side, our membership has expressed an interest in taking hold of their own consumer marketing campaigns. The concern with large, all-encompassing marketing initiatives for all types of content and genres is that it does not hit the niche audiences, while digital products are designed with specific demographics in mind. **To build demand of Canadian digital products, it is asked that the Canada Media Fund look at supports to further assist content creators in the market outreach of their own products to consumers.**

Interactive Ontario also advises that new funding programs and initiatives created by the CMF be in consultation with other funding bodies and/or the industry associations, to ensure new programs do not conflict with other existing programs.

For example, the new Digital Media Co-Production Incentive is an excellent exploration into supporting international partnerships, but if Ontario-made projects are supported by this Incentive, they will not be eligible for the Ontario Interactive Digital Media Tax Credit. While not all new programs can be customized to existing frameworks, it is important to interactive digital media industry players, who are light on administration support, to have clarity in how the various funding agencies “stack” in product financing.

We would once again like to express our appreciation to the CMF for engaging in this process and seeking the feedback of industry. By listening to the needs of industry, the CMF will ensure that its programs are effective in encouraging excellence in Canadian content and assisting Canadian producers in succeeding in the international market. As an industry association, Interactive Ontario is in frequent close contact with many of the province’s most important IDM producers as well as other entities in the interactive digital media value chain. We would be pleased to assist the CMF in whatever manner that we can in order to ensure that the CMF is getting accurate information upon which to support its decisions as it continues through this consultation process. If we can be of any further assistance, please do not hesitate to contact me directly via email: donald@interactiveontario.com.

Yours very truly,

**INTERACTIVE ONTARIO
INDUSTRY ASSOCIATION**

A handwritten signature in black ink, appearing to read 'Donald Henderson', with a long horizontal flourish extending to the right.

Donald Henderson
President & CEO