

Quebec English-language Production Council
qepc@bell.net

December 18, 2015

Valerie Creighton
President and CEO
Canada Media Fund
4-50 Wellington St. E.
Toronto, Ont.
M5E 1C8

Dear Ms. Creighton,

Re: QEPC Recommendations to CMF, 2016-7

The QEPC wishes to thank CMF for its support of the Quebec official language minority community (OLMC) this past year. We especially thank you for increasing the Anglophone Minority Incentive to \$4 million and supporting our recommendations in the operation of this fund. We believe the AMI has been a success since it was established, and it is recognized as such by the Commissioner of Official Languages and PCH.

We are also happy to see that total CMF spending on the English OLMC grew from \$8.1 million, or 4.1% of your English envelope in 2013-14, to \$12.7 million or 6.3% in 2014-15.

PCH Evaluation Report of CMF

Congratulations on this positive evaluation.

We note the comments below from the PCH Evaluation Report¹:

“In allocating funds, the Contribution Agreement commits the CMF to ensure that approximately one-third of support in each stream is targeted to French-language productions

¹ PCH, Evaluation of the Canada Media Fund 2010-2011 to 2013-2014 Evaluation Services Directorate July 9, 2015, p.ii-iii

or projects and to ensure a minimum funding envelope of 10 percent of all funding to French-language productions to support French-language minority productions. In addition, the CMF is required to provide a dedicated funding envelope for Aboriginal languages convergent productions. The Fund may also introduce measures as appropriate to address the impact, if any, of the uncertainty in yearly funding levels on the vitality and development of English-language minority communities and provide support to convergent television and digital content in third languages where demand and funding are present.”

On p.73, the Report says:

“From 2010-2011 to 2013-2014, funding for English-language production allocated to minority language production, ranged from 7.1 percent of all English-language production funding in 2010-2011 to 4.1 percent in 2013-2014. Following a complaint to the Office of the Commissioner for Official Languages the Fund launched the Anglophone Minority Incentive (AMI) in 2013-2014, which provided a total of \$3 million in targeted support for the production of English-language productions in official language minority contexts. Minority English-language production is also supported through the performance envelopes and other programs of the Convergent Stream. A total of \$8.1 million was allocated to English-language minority production in 2013-2014, as compared to \$13.2 million in 2010-2011, including 36 hours of production supported through the AMI. For 2014-2015, the CMF has increased the funding envelope for English-language Minority production from \$3 million to \$3.5 million. Stakeholders interviewed for the evaluation are generally of the view that the funding being provided to minority official language production has led to successful projects and is helping to strengthen this production sector.”

And the Report concludes on p. 76:

“Through its support to the CMF, the federal government ensures access to a diverse range of Canadian content and is supportive of official-language minority and Aboriginal communities.”

You may not have guessed, but we were the stakeholders who said the AMI led to successful projects and strengthened our production sector, as it has done. Unfortunately, when we look to the future, AMI and OLMC funding do not look secure.

English OLMC Production Levels

Following the 2013-14 downturn, in 2014-15 the CMF funding for English OLMC production increased to \$12.7 million or 6.3% of the English envelope. This is a positive development, as is the increase in the AMI in 2015-16 to \$4 million. However, despite the mediating influence of the AMI, we can see that overall

English OLMC funding remains unstable. It bounced from a high of 7.1% of the English envelope in 2010-11 to a low of 4.1% in 2013-14 and back up to 6.3% in 2014-15.

On the other hand, CMF allocates a minimum of 10% of the French envelope to the French OLMC. This French OLMC funding is mandated by PCH through the Contribution Agreement. Unfortunately for us, there is no equivalent minimum for the English OLMC.

To help solve this problem of English OLMC funding instability, and create an incentive for broadcasters to commission OLMC productions, we requested that CMF create an OLMC factor weight out of the regional factor weight. Regrettably, our request was turned down.

In light of that decision, we are especially concerned about the impact any decline in BDU revenues will have on CMF's English OLMC funding. Unlike the French OLMC, the English OLMC is not protected in the PCH Contribution Agreement.

BDU Revenues

As the OTTs disrupt the Canadian marketplace, Canadian BDU revenues are declining. That results in a decline in revenues to CMF and CIPFs.

CMF's annual BDU revenues peaked in 2014 at \$234m². This year, we fear your programming budget will begin declining as BDU revenues fall.

We know from CRTC stats³ that BDU cable and DTH revenues peaked at \$8.1 billion in 2011, and have declined to \$7.6 billion in 2014. This decline in BDU cable and DTH revenues has been masked by explosive growth in BDU Internet Protocol TV (IPTV). IPTV revenues have jumped from \$208m in 2010 to \$1,284m in 2014.

Of course, no one knows the size of the internet market in Canada, or how much money the foreign OTTs are taking out of the country from their internet operations. All we do know is they are not obligated to spend any money on

² CMF Annual Reports show BDU revenue, excluding one-time adjustments, have been: 2010, \$194m; 2011, \$214m; 2012, \$218m; 2013, \$217m; 2014, \$234m; and 2015, \$228m.

³ CRTC, Communications Monitoring Report, 2015, Table 4.3.1

Canadian production unlike their regulated domestic Canadian competitors. There is no “level playing field” in the unregulated Canadian internet market.

Our members are already experiencing lower production funding created by the arrival of OTTs. The OTTs are disrupting the traditional advertising model that has allowed private broadcasters to meet their CRTC obligations to commission high-cost Canadian content.

We are seeing a decline in BDU revenues directed to CMF and CIPFs. We know that BDU monies going to Canadian programming (community TV, local TV, CMF, and CIPFs) have declined from \$506m (2011-2) to \$475m (2013-4)⁴.

Recommendations

From interviews we have conducted with selected CIPFs⁵, their OLMC funding over the last three years averaged 7% of their English spend. This is substantially higher than the CMF which averaged 5.5% over the same period.

Last year, we requested that the AMI budget be increased to \$5 million. It was increased to \$4 million. We requested that an OLMC factor weight be established. That request has been rejected.

In light of growing uncertainty, we want to stabilize CMF’s English OLMC funding. To do that, we make the following requests.

- 1) This year, we again request that the AMI budget be increased to \$5 million. At \$4 million it was fully subscribed this year. We also request that the ceiling be increased to \$1 million per project if the AMI budget is increased to \$5 million, or \$900,000 if the AMI is funded between \$4 million and \$5 million.
- 2) We request that CMF give the English OLMC the same status as the French OLMC, and apply the formula of 10% guaranteed funding to both the French and English OLMCs. We request that CMF spend 10% of the English envelope on OLMC production. We request this total funding level be reached in three years,

⁴ CRTC, CMR 2013, Chart 2.1.2; and CMR 2015, Chart 4.2.2.

⁵ Bell Fund, IPF, Cogeco Fund, and Harold Greenberg Fund

and averaged over three years, with a guaranteed minimum of 7% of the English envelope per year.

Thank you very much.

Yours truly,

Kirwan Cox
Executive Director
Quebec English-language Production Council
450-451-4664

cc- Scott Shortliffe, PCH
Scott White, PCH
Guy Fournier, CMF
Stephane Cardin, CMF