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Hon. Tony Clement, Minister of Industry  
Hon. James Moore, Minister of Canadian Heritage  
Hon. Diane Finley, Minister of Human Resources and Skills Development

House of Commons  
Parliament Buildings  
Ottawa, Ontario  
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## **Canadian Content is Canada's Competitive Edge: DOC's submission to the Digital Economic Strategy Consultations**

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### **Executive Summary**

The Documentary Organization of Canada/l'Association des documentaristes du Canada (DOC) is pleased to submit our suggestions and comments on Canada's digital economic strategy. Canada has always been a country on the cutting edge of innovation as attested by the quality of the content produced here and the depth of skill and expertise available in the country. We believe that a forward thinking digital economic strategy will enhance the contributions documentary makes to the Canadian economy while building our international competitiveness.

This submission's comments are restricted to the fourth and fifth sections of the consultation paper. In particular, we argue that the digital economic strategy will only be successful insofar as it supports and sustains the industry's infrastructure in equal proportion to the support afforded to the development and production of digital content. Second, financing mechanisms will be required to develop a viable financing model for digital content. Third, policy modifications to the current feature film policy will enable documentary digital cinema to be more successful. Next, we must build capacity by investing in training, in addition to sustaining initiatives for professional development aimed at content producers in order to foster the sector's competitiveness. Fifth, strategies are needed to create digital content relevant to the large educational market both within Canada and abroad. Finally, in order to create a comprehensive digital economic strategy, Canada must consider the role played by the not-for-profit and non-governmental sectors.

## Introduction

The DOCUMENTARY ORGANIZATION OF CANADA | L'ASSOCIATION DES DOCUMENTARISTES DU CANADA (DOC) is the collective voice of independent documentary filmmakers across Canada. It is a member driven organization dedicated to promoting, supporting and developing the documentary art form. As a national non-profit association its role is to advocate on behalf of its members to foster an environment conducive to documentary production and strives to strengthen the sector within the broader film production industry.

DOC would like to thank Ministers Clement, Moore, and Finley for the opportunity to comment on an eventual Digital Economic Strategy. Canada has always been a country on the cutting edge of innovation as attested by the quality of the content produced here and the depth of skill and expertise available in the country. We believe that a forward thinking digital economic strategy will enhance the contributions documentary brings to the Canadian economy while building our international competitiveness.

In a digital economy, content is a commodity, and as such, cultural content has to be regarded as an integral component of economic activity. It is our view that in order to be competitive and successful in the marketplace, a holistic approach to cultural content creation is necessary.

Given that DOC's expertise and knowledge reside in the challenges faced by producers in a digital age, our submission focuses on questions contained in the fourth and fifth sections of the consultation backgrounder, namely, Digital Media: Creating Canada's Digital Content Advantage, and Building Skills for a Digital Tomorrow.

In this submission, we argue that:

- The digital economic strategy will only be successful insofar as it supports and sustains the industry's infrastructure in equal proportion to the support afforded to the development and production of digital content;
- Financing mechanisms will be required to develop a viable financing model;
- Policy modifications to the current feature film policy will enable documentary digital cinema to be more successful;
- Strategies are needed to create digital content relevant to the large educational market both within Canada and abroad;
- In order to foster the sector's competitiveness, we must build capacity by investing in training in addition to sustaining initiatives for professional development aimed at content producers;
- Finally, in order to create a comprehensive digital economic strategy, Canada must consider the role played by the not-for-profit and non-governmental sectors.

## Canadian Content: Canada's Competitive Edge

Canadian cultural content is remarkably successful in domestic and international markets in spite of the challenges posed by being neighbours with the largest English producer and exporter of cultural goods and services in the world.

Canada's video and film productions for the non-theatrical, television, and theatrical markets foster job creation and investment in Canadian talent. In the television market, Canadian products are purchased on international markets because of its unique style and perspective, which appeal to many audiences.

Although the government of Canada already supports the production of Canadian content through various subsidies, and has redesigned the Canadian Television Fund into the Canada Media Fund to support the production of cross-platform projects, a robust strategy is necessary to ensure the success of digital content in the marketplace both domestically and internationally.

Documentaries are one of Canada's most critically acclaimed and successfully exported cultural goods, with an honoured history spanning over seventy years of distinction. In order to build on this success, Canada's digital economic strategy must support both the creation and dissemination of Canadian independent documentary digital content.

According to Comscore, Canadians watch more videos on the Internet than the majority of other developed countries. Although Google, Microsoft and social media sites have the highest viewership, recent trends demonstrate that Canadians are watching more content on broadcaster websites as well as Canadian owned video aggregators such as the NFB screening room, the Hot Docs Library, Rogers On Demand Online, and Tou.tv. With proper investment in Canadian owned video portal sites, the audience share of these sites will grow and advertiser dollars will flow into the Canadian economy.

The Internet may be borderless, however technology has allowed producers to maintain the traditional licensing models ensuring continued sales of digital cultural products. With geo-blocking, digital content can be licensed out to various regions around the world in the same manner as traditional content was prior to the Internet. Advertisers can target a given market, and content providers can be sure that they are getting royalties for each region. Mechanisms such as geo-blocking enable digital content to be monetized around the world.

Canadian content can reach Canadians in the country's farthest regions and anywhere around the world. Through initiatives that support the digitization, online distribution, digital curation, and market place mechanisms that subsidize the creation of high quality professional audio-visual content, Canadian digital content will generate wealth both in Canada and from abroad.

## Driving Financial Success in a Digital Economy

Currently, producers have access to indispensable financing mechanisms, however, in order to maintain their relevance in a digital world, they must be updated.

### *Tax Credits and Funds*

CAVCO tax credits must be extended to include costs associated with digital media production. In addition, the point system should be re-evaluated and regulations created reflecting the specific development and production needs of the sector, which they currently do not do. Media producers whose costs do not fit into a system created for drama and animation production have had to bear the majority of these costs. Revisions to the tax credit system are necessary for the entire field to benefit from the same competitive advantage.

Although viewing/consumption patterns are shifting to online platforms, TV continues to dominate both as the preferred medium of consumption and as the established business model. Although we recognize that digital media components add value to television products, it is our view that, at this time, sustaining and increasing television production will result in more sales in a more stable economic sector. It should be noted that TV programs are also part of digital content: either streamed online, or digitally broadcast. Progress should not come at the expense of success which is why DOC urges more funding be allocated to the CMF to offset the costs to the market that were caused by moving into digital media production. Newer digital media platforms should not have to displace successful and viable digital television production/products to carve out a space for themselves.

### *Access to Capital*

Although the purpose of tax credits was to provide access to capital for producers so that they could upgrade their production studios, develop other projects on their slate, and create companies that no longer subsist on project financing, they have instead become integral to the actual financing of projects, with the inclusion of up to 90% of both provincial and federal credits as a requirement for some funding bodies.

In light of this hijacking of the credits to support content creation, producers are lacking means to capitalize their companies. Thus, the government of Canada should develop new mechanisms for production companies to access capital. Through capital investments in the companies themselves, the Canadian production community would stabilize and be more productive.

Access to capital also provides digital media entrepreneurs and content creators the finances they need to start companies. It was through a government-industry venture capital investment partnership project that Research in Motion received its first startup capital. Through fostering risk taking and nurturing start-ups, new projects can incubate and eventually flourish in the Canadian market. With a bold investment strategy combined with a comprehensive economic digital strategy, Canadian companies can stand on their own two feet and utilize technological change as a place for future opportunities.

### **Being ahead of the Curve: Investing in Digital Cinema and Documentary Theatrical Support**

Digital media content is not just interactive digital media projects or video games, but also high-definition television programs and digital cinema. Canadian filmmakers have taken advantage of digital production for many years because doing so substantially reduces costs. Digital editing software suites, digital recording media, digital video cameras, and digital projectors have made filmmaking more affordable, efficient, productive and accessible.

However, only recently have the major theatrical chains been converting their screens to digital. In the meantime, Canadian producers continue to incur the costs of converting their digital films to film prints where each reel costs tens of thousands of dollars. Depending on the size of the theatrical release, a filmmaker must pay at the very least \$ 25,000 to get his or her film into the theatrical market (for a one print release). There are many additional costs: securing a distribution agent to transport the reel from theatre to theatre, and paying to transport the reel by mail.

Cineplex Entertainment, AMC Entertainment and Empire Theatres are converting their screens to digital over the next few years. This is a unique opportunity for Canada to take advantage of a technological change that directly enhances its cultural and economic policies. When digital becomes the standard, the costs associated with printing, shipping and transportation of reels of film will vanish. This will free up money that Canadian producers could redirect to the promotion and marketing of films. Clearly, creating a cultural content strategy, which includes digital cinema, would directly benefit the Canadian theatrical market for all genres. With proper support and vision, the Canadian share of the box office could surpass 8% of the total gross.

Currently, appetite for theatrical documentary is increasing globally. Major Hollywood producers such as Buena Vista (Disney) are widely releasing documentaries in the theatres such as *Earth* and *Oceans*. That film along with *Capitalism: A Love Story*, have made hundreds of millions of dollars worldwide. In the Canadian market for 2009, *Oceans* and *Capitalism: A Love Story* grossed over one million in box office returns. The highest grossing documentary in Canada that year was *Michael Jackson's This Is It*, which grossed approximately \$7 million.

As for Canadian documentaries, films are making higher returns faster than ever. Released in 2007, *Sharkwater* has almost broken one million at the box office in cumulative returns, and *Up the Yangtze*, released in 2008, has broken \$600,000 in box office returns. Combined with international box office returns, these films have grossed \$1.6 million and \$1.1 million respectively. However, it is a film released in 2003, *The Corporation*, that has the highest domestic and international cumulative box office sales with \$1.9 million in Canada, \$3.5 million internationally.

Outside of mainstream theatrical distribution, there is a growing demand for documentaries in the festival circuit. The attendance at all three of Canada's documentary film festivals is growing year by year.

- Hot Docs reported a 10% increase in its box office sales from 2009 to 2010;
- The attendance to Rencontres internationales du documentaire de Montréal increased by 20% in 2009;
- The audience attendance of DOXA, Vancouver's international documentary film festival, grew 7% in 2010.

Clearly, the box office returns from documentary films are increasing, and Canadian documentaries are part of those returns. Taking advantage of the growing demand for theatrical documentaries and the efficiencies of digital cinema would allow for Canadian producers to capitalize on a global trend.

However, in order to take advantage of the efficiencies of the digital cinema market and of the increased demand for documentaries in the theatrical market, the current support system for Canadian theatrical films needs to be updated:

- The international co-production treaty agreements need to be updated;
- The feature film funds need be more efficient and easier to access;
- The theatrical documentary film fund needs to be adapted to better suit the documentary business model.

Currently, our international treaty co-production system is lagging. We don't have agreements with many of our trading partners, such as India. In addition, it is overly bureaucratic and time consuming. Finally, as feature film require digital media components to enhance their market value, more digital media partnerships could be forged through international treaty co-productions.

In order to foster an efficient and productive film-funding environment for theatrical and feature films, DOC encourages the government to consider creating a separate set of documentary-specific guidelines for theatrical documentaries that are more suitable to the genre's needs and conditions.

If theatrical documentary production is properly supported with adequate policies and appropriate financial incentives, the sector will be afforded the advantages to make it far more competitive in both the domestic and international markets. On a policy level, Telefilm could aim towards re-evaluating its funding requirements to be more reflective of the documentary production environment.

Presently, Telefilm's Theatrical Documentary Fund has many requirements that stifle the development of a stable theatrical documentary financing environment. First, it requires producers to have a minimum budget of \$500,000 for French productions and \$600,000 for English productions, which are unrealistic budget expectations given the genre and the current funding environment. Theatrical documentaries do not necessarily have such high budgets although some have budgets topping \$1M. However, because of the lack of funding and financing, organizing at least \$500,000 in funding becomes contingent on television financing creating a different set of problems as outlined further below.

By partnering with the Rogers group of funds, the dependence on television funding is further entrenched; it assumes that television financing is part of theatrical documentary financing. The current state of television financing of documentaries is not well suited to the creation of theatrically minded documentaries: there are few windows for one-offs, and fewer for documentary feature films.

Finally, the majority of documentary feature films are social issues documentaries, which are increasingly mismatched with the broadcasters' objectives of maximizing their bottom line. With the exception of educational broadcasters and pay TV broadcasters, broadcast windows dedicated to documentaries have dwindled and the timing of the remaining slots marginalize the genre. The few broadcasters willing to contribute license fees for feature projects must partner together to meet the \$150,000 threshold.

Although the fund does not require producers to have a license fee, the budgetary requirements of the fund, the fund's partnerships, and the current lack of other financing pushes them to work with broadcasters. Most broadcasters do not have the finances to support both television and theatrical documentary projects so any disengagement from the Roger's Fund would result in a drop in theatrical documentary production when digital technology can enable its success. Clearly, this needs to be remedied.

Finally, a major gap remains in the documentary feature film-financing environment: development funding. Although broadcasters do provide development funding, the amounts provided are not nearly enough for the time needed to fully develop a documentary. At one time, the Telefilm Theatrical Documentary Program used to support development, but it stopped funding development after 2005-06.

Telefilm could explore a number of options that would allow for Canada's theatrical documentary market to succeed in the digital age:

- Eliminate the budget threshold of the fund so that more theatrically suited documentaries can be produced;
- Reduce the broadcast license threshold so that the broadcasters that wish to finance documentary feature films can do so

- Increase funding to the Theatrical Documentary Fund to offer relief to the broadcasting sector and enable a stable documentary theatrical financing environment;
- Reintroduce development funding in the theatrical program, or create an alternative fund for documentary feature film development

## Digital Education Content Production

As schools from K-12, colleges and universities continue to embrace digital technology, the demand for suitable educational media that can be delivered to the classroom through the Internet is galloping ahead of the capacity of producers to deliver. In part this is due to the cancellation of the CIFVF and the gradual erosion of other non-broadcast funds, which has left a very serious gap in the landscape.

The prevailing perception is that this enormous market can be served well by simply versioning or adapting existing materials, which are made for broadcast or non-educational use, but this is simply not true. There is a significant market sector currently experiencing a lack of online materials because of the shortage of materials specifically designed and created for the classroom.

Increasingly teachers are turning to readily available materials that have been produced elsewhere such as in the USA or the UK. At present there is nowhere for independent producers to turn for sufficient funding for the development and production of these essential educational tools. We urge the Canadian government to create a fund, which fosters the development and production of these much-needed materials.

The estimated value of the educational and non-theatrical market is approximately \$20 million and sells Canadian educational products all over the world. As more school boards cannot find high quality and relevant Canadian materials for their curriculum, Canada will be at a disadvantage both culturally and economically. First, students will have to turn to non-Canadian material in their classrooms, which won't reflect Canadian themes and perspectives. Second, the million dollar non-theatrical sector will shrink resulting in job losses and lower sales. Both will negatively impact Canada's GDP through the loss in human capital and direct revenue to Canadian companies. Consideration must be given to the educational market in crafting Canada's digital economic strategy.

## Investment in People is an Investment in Digital Capital

Digital content can be as simple as digitized data, or as complex as interactive digital media components delivered over mobile phones. Canada's competitive advantage lies in enhancing productivity on all formats of digital content creation. The media production sector will require highly skilled workers that have access to lifelong training and professional development. Having a nimble and digitally literate labour force will be crucial in carving out Canada's leadership role in this sphere. Accessing the necessary labour pool will be essential in supporting the cornerstones of cultural content production: innovation, creativity, and originality.

Successful companies continually invest in new capital: human and technological. In the media production sector, new equipment and software emerge daily. In order for media producers to be fully active in using the new digital technologies, they must train their staff in specialized skills and be able to keep pace with equipment upgrades. In order for Canadian digital content creators to gain the skills required for the 21st century's economy and compete at a global level, several short term and long term initiatives must be considered.

In the short term, capital cost allowances for new digital equipment and software could be made available to allow for production companies to refit their studios with equipment that would enhance their productivity.

Furthermore, in order for Canadian content creators to successfully translate their projects in a digital environment, they need to make informed technological decisions. In order to do so, they need to access up to date and pertinent expertise. There are thousands of digital media specialists that could consult on their projects, and many internationally renowned digital media companies and technology companies in Canada. Unfortunately, there aren't the means or the initiatives in place to foster partnerships between the specialists and Canadian content creators.

Creating an initiative that covers the partial cost of digital media consultants would provide media companies with the necessary information and would enable media companies to be active in the digital environment. The Canada Interactive Fund already supports Canadian interactive projects, but further partnerships with leading Canadian companies, such as RIM, could result in new perspectives and foster innovation. A digital partnership initiative would allow for Canadian content creators to work with Canada's most innovative companies and access necessary information.

Although training and professional development opportunities exist for film and television screenwriters, producers and directors, additional training opportunities are needed. Many creative community organizations and guilds organize professional development seminars on digital transition, but more funding needs to be available for digital skills and digital production skills. The creative community is acutely aware of the changes facing the industry and what kinds of training are needed; they would be the best organizers of these workshops and skills training seminars. By creating a community digital skills fund, more programs like these could be put into action.

### **Non-profit/non-governmental organization support**

Although one can reduce an economy to households and firms, there are other players such as governments and organizations that create the conditions whereby business is conducted. Through professional associations, creators groups, umbrella organizations, and guilds, Canada's economic players congregate and act on issues that matter to them.

The digital economic strategy should consider the needs of the non-profit and non-governmental sector in its scope. The government of Canada supports its non-profit and non-governmental sector through various mechanisms, but there should be initiatives and support for the sector in the digital economy. As with the cultural sector, the non-profit sector will not be able to perform efficiently without proper digital skills and digital literacy. Consideration must be given to these organizations that cannot afford to keep pace with the technological shifts or access technological intelligence to assist with appropriate decisions.

### **Conclusion**

In summary, Canada's content advantage will be possible with the creation of appropriate market mechanisms supported by government policy and effective development of media producer digital skills. Furthermore, support for increasing digital skills and digital initiatives for the non-profit and non-governmental sector will directly increase the productivity of their respective industries and constituencies. This will raise our competitive advantage while reinforcing and strengthening our cultural solidarity.

Although economic activity is assessed with monetary indicators, not all activity - economic or otherwise - can be fully expressed in those terms. The value of Canadian digital content is far greater than its contribution to the GDP. Can we ever fully put a price tag on cultural activity and the benefits that accrue from it? There is enormous cultural and social capital generated by Canadian digital content. From radio broadcasting to broadband, Canada's media have united the population across its vast landmass and allowed for a national conversation. In addition to serving the economic needs of its citizens, the digital economy should

serve the cultural and social needs of Canadians. Indeed, its inherent capacity to foster community reinforces the formation of cultural identity. Canadian content reflects the Canadian experience to Canadians and to the rest of the world. Whereas Canadian digital content allows for a deeper and more meaningful participation among a broader range of voices.

As part of the various initiatives that national digital strategy will implement, DOC would like to see a clearly defined documentary policy supporting and protecting this cultural product. By supporting digital documentary productions, Canada will ensure the art form's continued success.

We hope that our comments are constructive in the analysis that lies ahead as the government considers how to forge ahead with a digital economic strategy.

Sincerely,

A handwritten signature in grey ink, consisting of a horizontal line followed by a stylized, cursive signature.

John Christou, Chair