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The Honourable Mélanie Joly  
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Dear Minister Joly:

***Re: Canadian Content in a Digital World – Le Contenu Canadian dans un monde numérique – Public Consultation***

**A Introduction**

*The Directors Guild of Canada (the DGC or the Guild) represents the creative leaders of the screen-based sector.*

The DGC is a national organization representing 5,000 key creative and logistical personnel in Canada's film, television and digital media industries. Its members across Canada are drawn from 47 different craft and occupational categories covering all areas of direction, design, production, accounting, editing and design of screen-based programming in Canada.

The DGC supports the current consultations launched by the Department of Canadian Heritage to explore the impact of technological change on Canadian culture.

We are pleased to have the opportunity to make this submission. Mindful of the comprehensive mandate of a consultation that covers many forms of artistic and cultural expression, and in order to best contribute to the discussion, we limit our comments to those related to the screen-based sector. Specifically, we would like to address issues related to creators and their teams who collaborate to produce high quality audio-visual content.

The Directors Guild of Canada shares the Minister of Canadian Heritage's diagnosis of the situation facing Canada's screen-based cultural industry:

***The twin forces of globalization and technology are creating massive changes in the business model for creating and delivering cultural content to audiences – both within Canada and across the world.***

At the opening roundtable session in Vancouver, 60 leaders from Canada’s cultural sector came together. After a half day of discussion the consensus in the room was that the starting point for any new cultural policy from government has to be promoting our distinctly Canadian voice. The Minister of Canadian Heritage summed up the discussion with participants by asking the question: “What is the role of the state in a digital world?”

Minister Joly correctly identified that this begins with values. How Canadian values are expressed and shared, how they evolve over time and contribute to a vibrant active democracy that promotes tolerance, respect and understanding. Canada is defined by geography and the plurality of its people, and just as railroads connected us physically in the 19th century, stories, art and culture connect our citizens and communities in the 21st century.

As we discuss in further detail below, it is becoming increasingly difficult to access, discover and experience Canadian stories through screen-based content in the new digital media ecology. This is also the case in the global digital media environment where there is an abundance of content available from markets around the world vying for the attention of audiences. **For Canada to find its place - and to thrive – in the international marketplace, it cannot compete on scale or budget with the world’s largest and most deep-pocketed content producers of say the U.S., India or the U.K., given the limited resources are available in our country for production.**

Indeed, the best way for a country the size of Canada to position itself as a global leader in the production of screen-based content is to build a strong, vibrant and robust creative sector at home. **Efforts and government priorities should also be focused on creating unique, innovative and distinctive Canadian content for Canadian and world audiences. There is a deep pool of creative talent in Canada that is well-positioned and highly experienced to bring unique, captivating and entertaining Canadian stories to the screen. This community of content creators should be encouraged, supported and promoted. The production of generic content will not add distinctiveness or enhance Canada’s position on the world stage, and should not be the focus of any government policies or cultural objectives.**

In this submission, the DGC discusses the importance of Canada’s creative sector and the need to maintain policy frameworks that ensure the greatest participation by Canadian creators in the creation of screen-based content. We also discuss the priorities for the Guild in this consultation, and the importance of the availability of a diverse range of screen-based productions in Canada’s media landscape. We provide insights into Canada’s independent and creative sectors, and urge the government to contemplate a legislative framework that requires new and innovative digital platforms to contribute in an appropriate manner to the creation original Canadian digital programming.

The following is the DGC’s detailed submission.

## **B      *The Importance of Content Creators in the Digital Era***

Creators play an essential role in defining the Canadian experience. In an environment where stories, images and culture created south of our border are ubiquitous many have stressed the importance of creating a space for our stories. It is essential that we see our image reflected back on screens. The Directors Guild of Canada agrees, but we assert that screen-based content is more than a mirror. Stories shape perception and promote understanding.

But stories are not benign. Stories can polarize, exclude and undermine social cohesion. Now more than ever we must be aware of this, and the risk of the absence of a space that fosters mutual understanding. This is what is at stake, and why creating a Canadian space for the sharing of our values is fundamental to social cohesion.

The social benefits of culture are well understood. A strong cultural sector contributes to the vitality of our communities. By sharing our stories with one another and engaging in dialogue, we build an inclusive and open society where citizens can freely express themselves.

Culture is the primary driver of an open society and screen-based content is the most effective instrument – film, television drama, documentaries, childrens programs, and news. Consider the social impact of feature films and documentaries which occupy the Canadian space: *Shake Hands With the Devil*, *Manufacturing Consent*, *Monsieur Lahzar*, *Incendies*, *The Corporation*, *Away From Her*, *Water*, *Mommy*, *Atanarjuat*, *Léolo*, *I've Heard the Mermaids Singing*, *Goin' Down the Road*, *Nobody Waved Goodbye*, *My American Cousin*, *Thirty-two Short Films about Glen Gould*, *Watermark*, *Polytechnic*, *Decline of the American Empire*, *C.R.A.Z.Y.*, *The Sweet Hereafter*, and *West Wind*. Each work a distinctive voice, with a specificity of voice that achieved critical recognition, audience success and staying power.

However none of these films or documentaries would have been made based entirely in a commercially driven paradigm. Not one. So what is the role of the state? It is a critically important player with a clear mandate.

However, the government is not a bank. Investment in this context is more than financial. Our government, on behalf of the Canadian public invests in talent, opportunities and developing the potential of our artists. Quality of life is measured well beyond the economic, particularly in a landscape where social, racialized and gender divisions, and violence, are on the rise. Canada has a leadership role to play in inclusive citizenship practices, of which our screens play a starring role.

Moreover, the digital paradigm has opened new opportunities to connect with audiences elsewhere in the world, and the government is correctly focused on the export of Canadian stories and promoting the discovery of our talent.

The government has set policies in motion designed to create a vibrant Canadian cultural space. For the screen-based sector this was achieved through legislation – the Broadcast Act, for example – and through policies on screen-based content creation, film distribution, and feature film– and through the creation of institutions such as the National Film Board, the CBC, Telefilm Canada, the CRTC and the Canada Media Fund. Each of these pieces of the puzzle contributed to an act of collective will that created a Canadian television system and a feature film industry largely from a standing start. This should not be underestimated or assumed. There is nothing certain or inevitable about a Canadian cultural sector. Neither can we take it for granted that Canada will compete in the new digital paradigm based on the false assumption that the internet is free, open and represents a level playing field.

Fortunately, the consistent system building asserted by government over many years has achieved a remarkable public/private partnership. As we consider the way forward in a new digital paradigm the primary underlying challenge of creating a distinct cultural space that reflects Canada has not changed. For this reason we should resist over-rotating to a market-based approach that places the prospect of commercial success above distinctive voices and content that reflects and speaks directly to Canadians.

The government, in partnership with creators, should assume a more significant curatorial role as an energetic player leveraging the creation, promotion of screen-based content and access by Canadians to their culture. The role of government agencies such as Telefilm, the Canada Media Fund, the National Film Board and the CBC as creative risk-takers should be strengthened and enhanced. A national public broadcaster whose existence is a chronic subject of debate cannot plan effectively or fully realize its mission. Further, the creation of screen-based content and talent development requires innovation and experimentation outside of the constraints of purely commercial models.

**The DGC encourages the government to shift the centre of gravity from defining Canadian stories from those who own them to those who make them. Writers, directors and performers are the authors of audio-visual works. Orienting public intervention more directly in support of artists will energize creativity and stimulate much needed creative risk-taking among key players across the system.**

‘Winning on the world stage’ should go beyond a commercial/industrial definition of success. Canada already hosts a significant amount of foreign-service production and routinely creates content for these markets supported by tax credit incentives from provincial and federal governments. The DGC supports this approach. However it makes no sense to divert direct public investment away from high impact distinct Canadian content on the promise of a modest increase in the commercial value of exports. Canada’s strategy needs to be much more ambitious. Public investment in content unrecognizable as ours and not made by Canadians is a

poor exchange for film and television productions that define and promote Canada to international audiences.

Likewise it makes no sense to reduce a suite of targeted public support to a single one-size-fits-all model of tax credit support. Removing essential levers diminishes the effectiveness of public intervention.

Canada will win on the world stage with distinctive, innovative stories that project our values and are an effective tool for projecting a positive image and generate good will about Canada to audiences around the world.

**C. *The Directors Guild of Canada's Priorities for this Public Consultation:***

**1 Our voices – Canadian content created by Canadians**

The Canadian market is small and does not have the scale to support the creation, distribution and exhibition of Canadian stories without government intervention. This is not due to a lack of talent, but economics. Successive governments have recognized this and created public policy tools which for almost a century have strategically supported our cultural sector through investment and regulation. Now some of these tools need to be reoriented to respond to a new production/distribution reality.

**The Guild encourages the government to develop new tools that place distinctive, original content created by Canadians at the centre of its strategy. It is a core principle of our cultural policy that Canadian stories are told by Canadians. Canadian performers, writers, directors and their creative teams are fundamental to the creation of successful high end dramatic series, feature films and documentaries.**

**The DGC is very concerned about recent decisions which seek to diminish the participation of Canadians telling our stories. In particular, we are deeply concerned about the CRTC's recent policy decision to reduce the number of points required on the creative scale from 8 to 6 that must be achieved to for a Canadian production to be eligible for funding through the Commission's Certified independent production funds (Broadcasting Regulatory Policy CRTC 2016-343). We are also extremely concerned about the Commission's decision in the Let's Talk TV proceeding (Broadcasting Regulatory Policy 2015-86) to create a pilot project that removes the Canadian Director from the list of Canadian creators required for a Canadian production to be certified as Canadian by the CRTC.**

Undermining Canadian talent in the service of creating a more 'competitive' product by substituting Canadian talent for 'expertise from abroad' is a complete misread of the emerging digital dynamic and counter-intuitive to a long term strategy for leveraging Canada's competitive advantage which rests first and foremost on distinctiveness of voice. We urge the government to adopt a more ambitious vision.

**At the heart of the Government of Canada's renewed commitment to cultural policy should be an explicit recognition of the primary contribution of creative leaders – writers, directors and performers- in shaping content. Our competitive advantage is not based on budget size or scale, but will be directly tied to unique Canadian voices in a globalized, digital world – a world where the abundance of quality programming has actually increased.**

**2 Who is a creator? Shift the focus from content 'owned' by Canadians to content 'made' by Canadians.**

Creators are authors, a role that is distinct from owners. Directors and writers are authors who collaborate with producers to create high quality content.

**It is important that intellectual property be retained by Canadian controlled production companies, and the DGC supports this principle. Ownership is an appropriate minimum standard, but it is not by itself sufficient.** The most fundamental goal of our public policy should be reaching Canadians through the expression of our distinct voices in Canadian film and television; that policy must recognize that this voice comes from the creators (directors, writers,) and not from the person, company or bank that might own the production rights.

**3 Diversity is part of our competitive advantage**

A new paradigm is developing that increasingly values distinctive content over formats and genres resembling something the viewer has seen before. Diversity, in this context, is a powerful competitive advantage. Content created by tapping a more diverse talent pool will stand out; stories as diverse as the people who tell them.

Diversity and democracy: content that is not made by the community does not reflect the community.

**4 Creating a production and exhibition system where all of the key players are contributing to the Canadian system.**

We are in a period of transition. New platforms are being introduced, and new production funding models and business models for exhibition are emerging. Demand for content globally is increasing and Canada is not unique in these respects. It is essential that Canadians have access to high quality made-in-Canada content on all platforms and for all of the players, new and established, to contribute to the overall health of the Canadian system.

**D *Canadian Film and Television Production - An overview***

Canadian film, television and digital media content make an important contribution to the nation's cultural life and economic well being. The current prosperity in this multi-billion dollar creative sector validates thirty years of government decisions supporting the sector.

In 2015 Canadian film production increased by almost 20 per cent over the previous year, reaching an all time annual high of \$7.1 billion and supporting almost 150,000 jobs. Guild members worked on both Canadian and international film and television productions from Halifax to Iqaluit to Vancouver, including four of the films nominated for 2015 Oscars (which included two treaty coproductions) and DGC directors were behind the camera on Canada's own Emmy-winning and nominated Orphan Black, Degrassi and 19-2, as well as some of the world's most watched international dramatic series ranging from Westworld and The Walking Dead to The Americans, Bates Motel and Better Call Saul. We believe this provides our organization with a unique perspective on the current state of the sector.

There are a number of factors which have contributed to the recent success of Canada's screen-based sector:

- First, Canada is now recognized by the global industry as a sophisticated filmmaking jurisdiction with both the infrastructure and the talent needed for every stage of filmmaking from development to post-production. Film and TV industry decision-makers have confidence working with Canada's technical crews, creative talent and filmmaking infrastructure.
- Second, growth in the domestic content sector has benefited from higher levels of international financing secured for Canadian film and television productions. Canadian content is competing in the financial marketplace – attracting investment and finding its way into new markets and onto new platforms.
- Third, Canadian content competes for critical recognition around the world. Canadian feature films and feature documentaries are selected for competition and regularly distinguish themselves at major festivals throughout the world. The recent Emmy Award for actress Tatiana Maslany for her performance in the Canadian series Orphan Black is but one recent example. Overall in the past three years, 233 Canadian films were selected at high profile festivals and won 107 awards<sup>1</sup>.
- Fourth, Canadian TV programming successfully competes for international sales to networks and specialty channels quite literally everywhere television is seen. It is admired by local audiences and praised by local critics.

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<sup>1</sup> Telefilm Canada Annual Reports

- Fifth, Canada is a leader in technology and innovation – including the first ever Emmy Award for a Virtual reality production (to Toronto-based Secret Location for The Sleepy Hollow Virtual Reality Experience).

Canada's positive reputation is only part of the larger picture. The cultural output of Canadian screen-based sector resonates with Canadians and Canadian storytelling enriches our quality of life by creating shared experiences within and between Canada's many communities. It enhances our common understanding of each other and of the world we live in.

Programs for children made by Canadian creators are highly sought and a staple of programming in countries around the world. Documentary filmmaking also has a long history in Canada, and today Canadian documentary filmmakers continue to create compelling narratives that challenge conventional thinking, speak truth to power and give voice to important issues. These productions entertain, inform, and challenge audiences.

The voices of Canadian filmmakers have become part of our national fabric, and we must ensure they are present and accessible as Canadians engage with new technology that delivers a rising, ubiquitous tide of global content available anytime, anywhere.

#### **E      *On creators: the current state of Canada's film and TV industry and the Era of Peak TV***

The first wave of significant change to the television model came in the mid 2000s. New premium channels and specialty services began to displace traditional networks as the source of new, daring and original concepts. Unburdened by the need to appeal to a mass audience the emphasis was on offering quality niche programming. Subscriber revenue freed them from the need to "be all things to all people" – liberating them to develop high quality niche programs with smaller audiences than the big networks, but with audience engagement that was much more intense. This model was copied in other developed countries, and Canada has had some success with shows like Orphan Black and Trailer Park Boys.

Storytelling shifted from self-contained episodes to a more open ended form that often draws on feature film sensibilities. In the process, the television industry was transformed, the result being much more experimentation, with the format now fitting the content - with shorter episode runs, mini-series and other special events that echo the new viewing habits of audiences.

More recently new technologies emerged which used the internet to stream entire libraries of programming from providers like Netflix, Hulu and Amazon directly to television screens. Initially these services offered second-run content, but today they offer the same kind of high-quality original niche programming as specialty programming services.



The internet TV providers and the cable specialty channels have been so successful developing high-quality programming in the US that in 2016 only two of the top 15 Emmy awards went to shows delivered by the traditional broadcast networks. The other 13 went to shows that require a subscription – including a Canadian show delivered to Canadians on Space channel, and sold to other science-fiction channels around the world.

**F      Quality and quantity:**

Largely driven by this new competition between emerging and established companies TV and film production is booming around the world. Some of those productions are shot in Canada, and new markets have been created for Canadian content. In fact, an unprecedented amount of production is taking place - with over 400 episodic series produced for linear and internet based television last year alone.

Why is this important for Canada? Access to global markets is now available through digital delivery allowing creators and streaming services to cater to increasingly narrow niches and still turn a profit.

Not surprisingly more people are spending more time watching TV programming on more outlets than ever before – and much of what they are watching is high-quality niche content creating a demand for programming that is driving an ongoing global boom for content creators, including Canadian creators. (See the recent CRTC 2016 Communications Monitoring Report).

**G      *Canada's potential in the Digital Era***

In this environment Canada has developed important components that form a competitive advantage:

- The volume of foreign service production has greatly enhanced overall activity in Canada and has driven investment in facilities, studio space, post-production, visual effects, professional support services and other capital assets in centres like Montreal, Toronto, Vancouver that provide the physical infrastructure of film, television and digital media production;
- The high volume of activity means that crews and other technicians are experienced and current on filmmaking practices in an all-digital environment;
- Public support is in place at all three levels of government that provides stability and predictability, ranging from tax incentives and direct investment by provinces and the federal government to permits and grass roots support at the municipal level;

- Finally, there is a deep pool of above the line talent: (e.g. directors, writers and star performers).

The government's investment in the sector through tax incentives has contributed to employment and the creation of capacity which far exceeds what you would expect for a country of our size. Canadian content creation benefits from economies of scale, access to world class infrastructure and the same crews and technicians who perfect their craft working on the world's most popular film and TV series.

## **H      *A creative industry driven by creative talent***

The DGC approach to preparing Canada's film and television industry for the future is based on two fundamental assumptions about the nature of this sector.

- Creative input is the most essential ingredient in feature film or scripted television content.
- Canada's creative talent is capable of competing with the best in the world and our strategy for success requires a greater emphasis on developing, nurturing and retaining Canada's most talented artists.

In a global entertainment marketplace, where audiences have a *vast* array of choices every time they sit down to watch film or TV, creativity is the key to earning a place in the viewers' hearts and minds. We need to shift our approach to making creative, distinctive niche content that will sell into these new markets. However, the recipe is not to water things down and make 'safe' programming, but rather to produce risky, innovative programming. We won't succeed by renting talent from elsewhere, or providing creative opportunities to non-Canadians. This will only work if we focus on our talent and build it from the ground up.

## **I      *Original and distinctive Content must be the Priority for Domestic and International Success***

In this new paradigm less distinct programming will not stand out. While it may continue to have some traction over time on legacy networks seeking to fill off-peak slots on their linear schedules, unique content is becoming more valuable than ever in the on-demand space.

Put in more strategic terms, Canada's competitive advantage in the digital space will be assured by the distinct voices of Canadian writers, directors and actors in collaboration with Canadian producers. With lower budgets and scarce marketing dollars Canada will not compete on scale, or on the sheer force of marketing dollars. In a digital world, however, we may be entering an era where the playing field levels for niche players like Canada. Reaching audiences is getting easier. The hard work is creating content that stands out.

The Canadian government should focus all its energy and resources on supporting the Canadian talent who create niche winners like Orphan Black, 19-2, Call Me Fitz, Deglassi, Trailer Park Boys, Murdoch Mysteries, Odd Squad, Republic of Doyle and countless films and documentaries. As discussed earlier, a first good move would be to reverse the CRTC's recent decision to reduce the number of points to be achieved on the key creative scale from 8 to 6 out of 10 points for Canadian productions to have access to funding through the CRTC's certified independent production funds (Broadcasting Regulatory Policy 2016-343). Another important policy decision to be made relates to including the Director in the Commission's pilot project for the certification of Canadian programs established in the Let's Talk TV policy (Broadcasting Regulatory Policy 2015-86).

Our strategy should foster an environment that fosters risk taking – at all levels. This is a challenge in Canada as our system has not truly embraced risk-taking. Our model is about value for money – lower cost, delivering on budget and producing content well-suited to a linear television model that is being replaced one more focused on originality, uniqueness and distinctiveness.

#### **J      *Diversity is an Essential Element of our Screen-based Cultural Sector***

When we speak of voice, we mean voices and our strength is our plurality and our diversity. This is our competitive advantage. When a minority of the population is telling the majority of the stories, this is not diversity or democracy. As an industry we have begun to take steps to correct the bias at work. The government can lead on the by its example and through the work of its institutions and agencies.

A recent report prepared for CUES (Canadian Unions for Equity on Screen) entitled "What's wrong with this picture"<sup>2</sup> interviewed Canadian directors to research the underlying causes of gender inequality among women in the screen-based sector. The study concludes that this is not a talent issue but systematic gender bias in the workplace. The study included recommendations for the Government of Canada and its key public agencies Telefilm Canada and the Canada Media Fund.

**Of course, this is but one component of diversity, and in a pluralistic society this is more than a fairness issue – the public who view our content should have the opportunity to participate. A strategy built on distinctiveness will be enhanced by enlisting the full spectrum of Canadian voices. This is the competitive advantage for Canada**

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<sup>2</sup> <https://www.dgc.ca/assets/Uploads/National/News/Documents/Coles-WWWTP-Sept-2-final.pdf>

## **K      *The International Market: Exports***

We appreciate that government's ambition to seek greater exposure and success for Canadian content in international markets. Opportunities for success reaching audiences are now more plentiful. In a world that is increasingly connected we see the potential for an aggregation of niche audiences across regions and countries. The production of high quality content with strong appeal coupled with the power of social media to identify and mobilize targeted audiences is an opportunity for content producers like Canada. As noted in a recent CMF study,<sup>3</sup> the primary driver for discovering new talent remains word-of-mouth.

That said, we believe that success at home is the first, best step toward being discovered elsewhere. Quality and originality are the currencies that will translate to success in foreign markets. It's no coincidence that the directors who have achieved success outside of Canada are also those who connect with audiences at home: Denis Villeneuve, David Cronenberg, Sarah Polley, Xavier Dolan, Jennifer Baichwal and Clement Virgo, to name but a few.

**There is significant potential for Canada to develop of foreign policy strategy that leverages our cultural products and in the process promotes Canada's creative talent to international audiences. The public sector has an important role to play working with the industry to support efforts to promote our talent and generate interest and fans for Canadian films and programs. Doing so we also promote Canadian values to others while creating good will and interest in Canada, its history and its people.**

## **L      *OTT: Technological changes and the impact of internet based television***

From the introduction of radio, film and then broadcasting in Canada successive governments focused on the challenge of ensuring a Canadian presence in a landscape largely dominated by stories, entertainment and culture from elsewhere. The introduction of each new platform moved the goalposts once more. In many ways the migration of content to internet based platforms is only the most recent manifestation.

To ensure a healthy system that provides diversity of choice to Canadians wherever their viewing takes place, all of the players in the system who broadcast and distribute content should also invest in our stories.

The emergence of internet based content and related technologies are not, as we are sometimes inclined to believe, a complete break with the past. Yes, the internet is more than simply a content distribution system but it is clearly versatile enough to replicate the

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<sup>3</sup> <http://trends.cmf-fmc.ca/research-reports/discoverability-part-2-the-audience-journey>

conventional broadcast model – delivering content to viewers – while at the same time enhancing the capability of the system in important ways. In a very short time internet-based television has already completely redefining the concept of shelf space. What happens when ‘shelf space’ becomes virtually unlimited? The paradigm previously oriented to exclusivity is increasingly focused on abundance and diversity. Choice, not scarcity, is now the main driver.

Internet based content has disrupted consumer habits and industry practices – the ‘orderly marketplace’ has collapsed, concepts like ‘binge’ watching and time-shifting did not exist ten years ago. Audiences now expect to view content whenever and wherever they like. Moreover, a growing amount of user-generated content present on online services such as You Tube has blurred the line between content creators and content consumers, and between professional and amateurs. While some of the latter content is clearly popular measured in terms of views, and competes for audiences, it is distinct and complimentary.

Today the global OTT market is already valued at \$25B annually<sup>4</sup> and is growing quickly. It is also highly concentrated. While there are hundreds of online players operating in countries around the world in reality the market is dominated by a handful of U.S. based companies including Google, Amazon and Netflix. These large players enjoy significant economies of scale – lower costs of distribution and content acquisition/licensing costs amortized over a larger customer base.

Clearly internet based content distribution is more than a duplication of the existing conventional broadcasting/cable platform with some enhanced consumer features. The flexibility and convenience associated with online viewing will over time displace the conventional linear TV model. Yes, there are other things people do online, but downloading and streaming content already accounts for a significant portion of internet traffic, a trend that will continue to grow. Cisco estimates<sup>5</sup> that by 2020 73% of all internet traffic will pass through Content Delivery Networks (Streaming services), and by 2019 85% of global internet traffic will be video content

In Canada, internet television already has a strong presence. Millions of Canadians now subscribe to offshore streaming services like Netflix. They are also increasingly subscribing to Canadian OTT services such as CraveTV. When these services deliver feature films and series

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<sup>4</sup> The Future of Television: The Impact of OTT on video production around the world

Page 8: “As a result, in just a few years the OTT TV video category has grown to \$25 billion in annual revenues. Although this represents only some 5% of the global industry, OTT is growing by more than 20% annually and winning share over traditional TV, whose revenues are growing at a far more subdued rate of 2%”

<sup>5</sup> White paper: Cisco VNI Forecast and Methodology, 2015-2020 : Content Delivery Network Traffic, 2015–2020

With the emergence of popular video-streaming services that deliver Internet video to the TV and other device endpoints, CDNs have prevailed as a dominant method to deliver such content. Globally, 64 percent of all Internet traffic will cross CDNs by 2020, up from 45 percent in 2015. Globally, 73 percent of all Internet video traffic will cross CDNs by 2020, up from 61 percent in 2015

directly to Canadian TV sets, they compete head-on with Canadian specialty and TV networks for Canadian audiences and Canadian revenue. Netflix alone now generates over \$500 million in revenue each year which promptly leaves the country.

These OTT services, however, are not required to invest any portion of those revenues in Canadian programming, increasing the share of Canadian programming on their services, nor do they pay any income tax, or even collect GST. While other jurisdictions such as the EU, New Zealand, Australia, Japan<sup>i</sup> and others are reviewing ways in which foreign owned internet based companies can be regulated, Canada's response has been mixed.

In 1999 and again in 2009, the CRTC chose to exempt new media broadcasting undertakings from regulation and as a result created a two tier system, with traditional components continuing to be subject to regulation and new platforms exempt. Nonetheless OTT services are broadcasters and are most certainly within the CRTC's jurisdiction. The CRTC should be directed to review the most effective model for these services to contribute to the creation of Canadian programming. A program licensing commitment similar to conventional broadcasters would generate from Netflix between \$150 and \$200 million per year in new financing for Canadian production.

This is not about regulating the internet. This simply ensures that companies who use the internet to do business in Canada participate in system building.

#### **M      *Reporting and Market Trends***

The government should take steps to improve the quality of information available relating to market trends. In 2016 we still do not have transparent reporting on box office results for feature film. Although this information is collected by the Department of Canadian Heritage it is not made available to the public. This needs to change.

Information related to new platforms, including the availability of Canadian content, consumer habits, revenues and expenses associated with these services is for obvious reasons of particular interest to stakeholders and the public. This reporting mirrors what is currently collected and made available to Canadians in publications such as the CRTC's Monitoring Reports. This would encourage transparency and allow content creators a better understanding of the opportunities.

#### **N      *How do we incent more risk-taking from creators and cultural entrepreneurs?***

The screen-based sector is an R&D based industry and driving R&D requires a critical mass of activity, experimentation, trial and error and a tolerance for failure. Strengthening development means a better R&D model and public investment can effectively stimulate higher quality, production ready material.

**Direct public investment should be used to enhance quality and target high impact programming - drama, documentaries, news and current affairs - that is relatively difficult to finance. Public investment can also be more effective at early stages where private money is less present. Similarly, public investment should target high impact programming.**

Over time market elements have been introduced into our funding models. Well intentioned and proposed to validate the potential viability of projects, this is essentially an exercise in risk management. Telefilm Canada has its 'success index' – mitigating creative risk by factoring in past 'performance' as a decision-making tool. The CMF has a broadcaster 'performance' envelope programs which rewards strong results with increased access to funding to allocate to new productions.

An increasing reliance on market elements has not effectively encouraged creative risk taking and the necessity of allowing for failure. Experimentation is key. In practice, past performance focused on owners (and not creation) has not proven to be a reliable indicator of success. Canadian broadcasters, Canadian distributors and other gatekeepers do not have strong track records of supporting daring 'outside the box' content. In reality, we might be asking the wrong question. Should we seek to 'incentivize' more risk taking for the players in the system that have largely oriented their business model around risk aversion?

Is it a coincidence that so many creative stakeholders advocate for the removal of broadcaster and distributor triggers? We propose a model that directly invests in those who are already prepared to take creative risks might be a more effective strategy.

The default position of risk management is exactly the problem. What if we reset the paradigm and the job of public policy, at least in part, was to encourage risk and innovation, and function as a 'risk buffer' for experimentation the creation of screen-based content, as of function of the public interest. **Not all stories need to be, or should be, commercially successful in order to be important. Why don't we as a function of policy, incentivise risk taking in screen stories, instead of working within the logic of capital accumulation as the end goal.**

**O      *Copyright and remuneration for creators:***

We encourage the government to respect its commitment to implement copyright reform in order that authors are fairly compensated for their work. Audio-visual work creates significant value that does not currently flow back to creators. New platforms and services are opportunities to reach audiences and monetize content, and digitalized content is a key driver in the adoption and use of these new online platforms the disruption in traditional business models has created conditions whereby artists are not fairly compensated for their work. "In 2013, creative content contributed US\$200b to global digital sales, powering sales of digital devices and increasing demand for high-bandwidth telecom services. Sales of digital cultural

goods generated US\$65 billion and US\$21.7 billion of advertising revenues for online media and free streaming website”.

Furthermore this recent study<sup>6</sup>, commissioned by the International Confederation of Societies of Authors and Composers (CISAC) and the United Nations Educational, Scientific and Cultural Organization (UNESCO), determined that cultural and creative industries are significant contributors to the global economy – with revenues of US\$2,250 billion. More people (29.5 million vs. 25 million) are employed in cultural and creative industries in Europe, Japan and the USA than the car industry.

“Cultural and creative industries are major drivers of the economies of developed as well as developing countries. Indeed, they are among the most rapidly growing sectors worldwide. It influences income generation, job creation, and export earnings. It can forge a better future for many countries around the globe<sup>7</sup>”.

### **P      *Feature Film and Feature length documentaries***

Feature films and feature length documentaries should be a centrepiece of Canada’s strategy for increasing its presence in international markets. Canadian features are already among the best in the world, winning awards and recognition globally. Canadian features have put Canada on the map. They contribute to building Canada’s reputation internationally, and are the most potent incubators of Canadian creative talent.

Leading linear and internet broadcasters around the world are moving towards niche series that are essentially extended feature films. Creators, including Directors, who have deep feature film experience are now highly sought after to bring multidimensional and unique stories to life for linear and non-linear TV. Series like the “Book of Negroes”, “Orange is the New Black”, “House of Cards” and “Vikings” come to mind.

Just as feature dramas and documentary have a special place in the hearts of audiences everywhere, for filmmakers feature film is a foundational art form. Even as other screen genres like internet and series television become highly compelling media for directors, feature film remains the bedrock form. There are several reasons for this - some purely mythological - the desire for instance to follow in the footsteps of Truffaut, Campion, Scorsese, Bigelow, Jutra, Spielberg or Cronenberg. But the key reason is that independent feature film is the form that utilizes most completely everything a filmmaker has to offer to the viewing public - as a visual artist, a dramatic artist and as a storyteller. It is a form which uses the director’s skill set fully - from either writing or working with a writer, through directing actors and composing shots, to sound design and exhibition, and therefore a form most likely to develop a singular voice and

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<sup>6</sup> Link to the study web site is: <http://www.worldcreative.org/>

<sup>7</sup> UNESCO Director General Irina Bokova.



most susceptible of offering a unique viewing experience for audiences everywhere. Feature film has often been Canada's best foot forward on the national and international stage.

**Q     *In Conclusion***

The Directors Guild of Canada appreciates the opportunity to make this submission and looks forward to working with your government to help realize our shared vision to foster the growth of Canada's creative talent in a digital world.

All of which is respectfully submitted.

Per

A handwritten signature in black ink, appearing to read "B. Baker". The signature is fluid and cursive, with a large initial "B" and a long, sweeping tail.

Brian Baker  
National Executive Director  
Directors Guild of Canada

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