

The Canada Media Fund (CMF)

A National Fund Failing British Columbia's Interactive and Digital Media Sector

Introduction

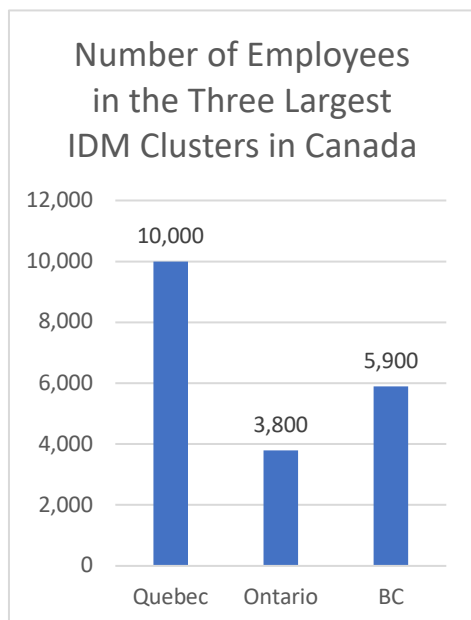
The Canada Media Fund is a not-for-profit corporation that delivers \$352 million in funding annually to support the Canadian television and digital media industries through two streams of funding.

The Convergent Stream supports Canadian projects that include content produced for distribution on at least two platforms, one of which is television. It is made up of various programs and incentives that target key activities and audiences.

The Experimental Stream encourages the development of interactive digital media content and software applications that are innovative and leading-edge. Projects must be connected to the Canadian cultural sector.

This report focusses exclusively on the Experimental Stream.

As part of the service agreement with the Department of Canadian Heritage, the CMF has a responsibility to ensure regional representation.



BC has long been a hub of interactive media and was once the leading region in the country. Quebec, in the past 10 years, has taken over lead position. Currently, according to the Entertainment and Software Association of Canada (ESAC) 2017 report, BC is in second place for interactive entertainment production (video games) by number of employees, at 5900 (2017). Ontario employs 3800 people and Quebec employs 10,000.

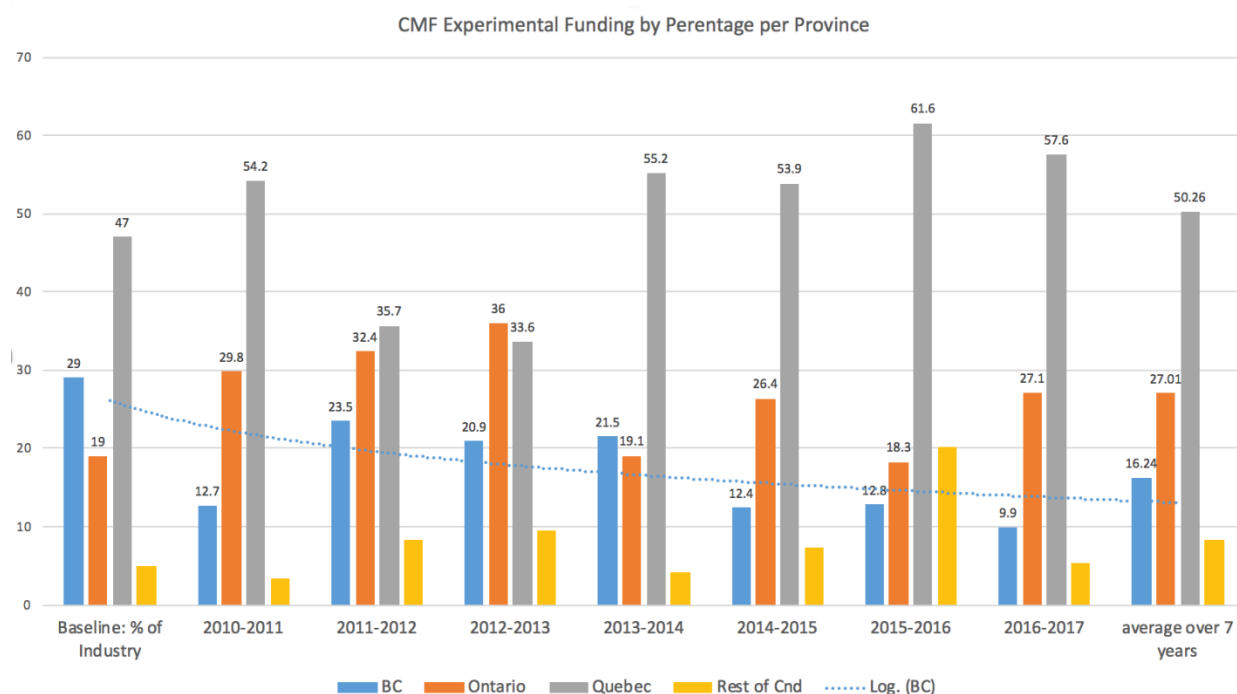
When measured by number of studios, BC is third, with 152 studios. Quebec has 198 and Ontario has 171.

ESAC did not include the rest of Canada in their report. Looking at the three leading regions, we observe that Quebec makes up approximately 50% of the workforce, BC about 30% and Ontario about 20%.

The BC Interactive and Digital Media sector has created this document as an initial high-level expression of our concern. It is a call to action and recommends change.

BC Funding Trends in the Experimental Stream

An analysis of BC CMF data provides concerning insights. Because BC makes up 30% of the IDM workforce in the country, and has approximately 30% of the IDM Studios, we consider 30% to be the baseline. BC has not once reached that level of funding.

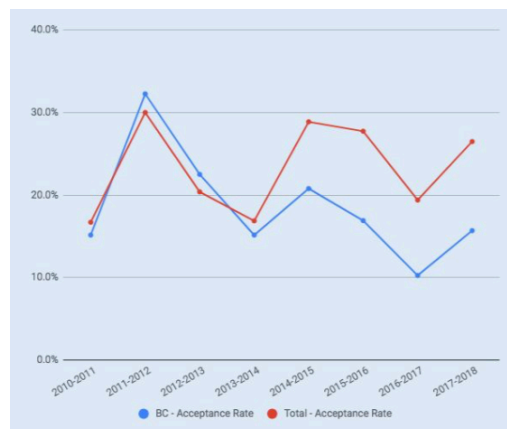


DigiBC created the above graph using CMF data. It indicates not only that BC is not receiving its “fair share” based on the percentage of the industry in BC, but that Ontario and Quebec receive significantly more than what you would expect based on the industry baseline of percentage of industry.

This, coupled with the favourable tax incentives in Quebec and Ontario create the conditions for a “brain drain” from BC to Quebec. While tax incentives are outside the scope of this report, the relationship between tax incentives and CMF funding begs examination. We’d like to understand how tax incentives factor in to determining whether or not a given Experimental Stream application receives funding at the CMF. There is a cap on the % of matching funds that can come from direct or indirect public funding. Does this cap often get reached, or is there a built-in advantage to Ontario and Quebec due to tax incentive rates that also impacts the ability to get funding due to matching funds? Said another way, does the uneven Interactive Digital Media tax incentive scheme in Canada create further bias against BC companies applying to the CMF, in addition to creating advantage due to the additional benefit of deeper incentives?

Two additional concerns arise from this graph. First, as a share of Total Projects in a given year, BC companies are on a downward trend across two notable dimensions. The leading indicator is that BC companies represent an ever-decreasing share of total approved decisions in a year. In other words, BC companies over time are being awarded less of the total funding given out in a year. This has a possible concerning effect in the market that would lead to BC companies applying to CMF funding programs at a decreasing rate as compared to the rest of the country.

Second, an analysis of the acceptance rates reveals a pattern of divergence. This pattern points to a structural problem in the program that plays out as funding discrepancies over time and across provinces. What you see in this chart is that in the first few years of the program, BC follows the acceptance rates of the rest of the country, and then in the period ending 2014, BC companies begin to diverge from the rest of the applicants and are awarded funding at a noticeably lower absolute rate.

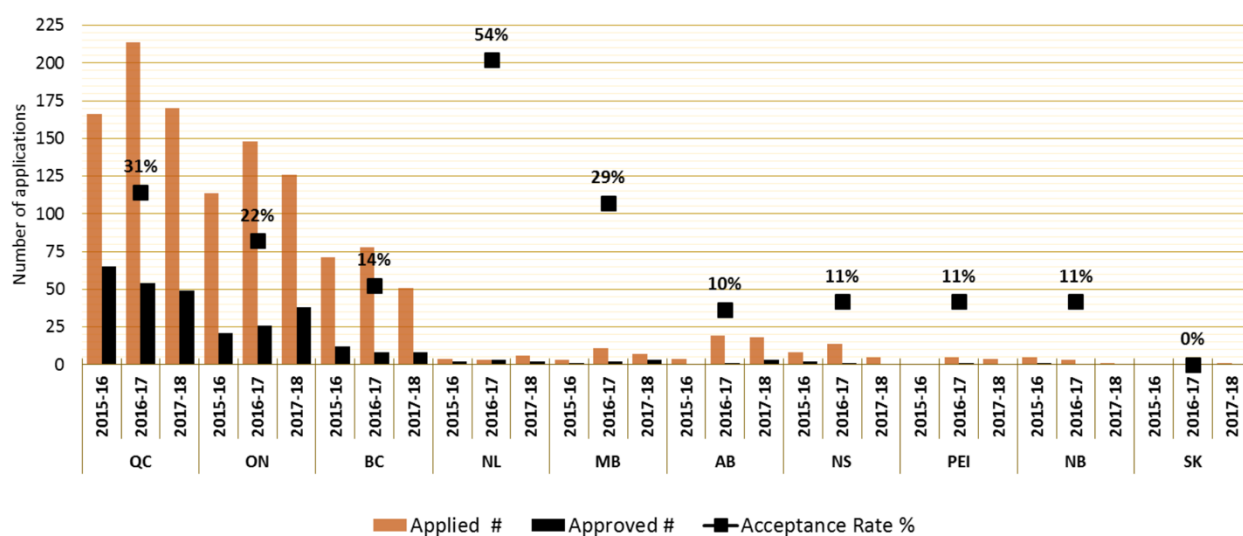


Acceptance rate and “Application Expertise”

BC, Ontario and Quebec also differ significantly in regard to acceptance rate. The following chart was included in the CMF information shared on the 2018 consultation tour. What can explain such a low acceptance rate (14%) as compared to the consistently high rate in Quebec, of 31%?

CORE QUESTIONS – EXPERIMENTAL

Experimental applications by province



We attribute the low acceptance rate to a number of factors. Anecdotally, we know that many BC studios have given up on the CMF due to lack of success and the time that must be invested to apply.

Secondly, the CMF application process is very involved. Naturally, there is a degree of expertise that is obtained in applying and receiving funding multiple times, and this expertise is lacking in BC. In fact, there is only one BC studio who has received funding five or more times, Hololabs Studio inc. In contrast, there are 7 Quebec studios who have received multiple awards.

Studios receiving CMF Experimental funding five or more times

Name	Province	times funded	total amount
9300-2664 QuABwc inc.	Quebec	7	\$1,127,755.00
Clever-Plays Studio Inc	Quebec	7	\$1,199,806.00
Hololabs	BC	5	\$1,505,119.00
Jeaux Borealis Inc.	Quebec	5	\$1,715,000.00
Finish Line Games Inc	Ontario	5	\$1,941,249.00
Hibernum Creations Inc	Quebec	6	\$2,635,934.00
Clever-Plays Studio Inc	Quebec	7	\$2,855,694.00
Minority Media	Quebec	15	\$9,003,032.00
Frima Studio Inc	Quebec	21	\$9,598,187.00

That there are two studios in Quebec, Minority Media and Frima Studios that have received CMF Experimental funding 15 and 21 times respectively, 9M and 9.6M each, points to the level of expertise that has evolved in accessing CMF funding. Moreover, the reader can understand the commonly held nickname of the CMF Experimental Fund, which is the “Create Montreal Fund.”

These charts are just a selection of the indicators in the data that support these same observations and trends. These indicators support a call for further inquiry.

Jury make up and project allotment by region

The Big Picture CHART

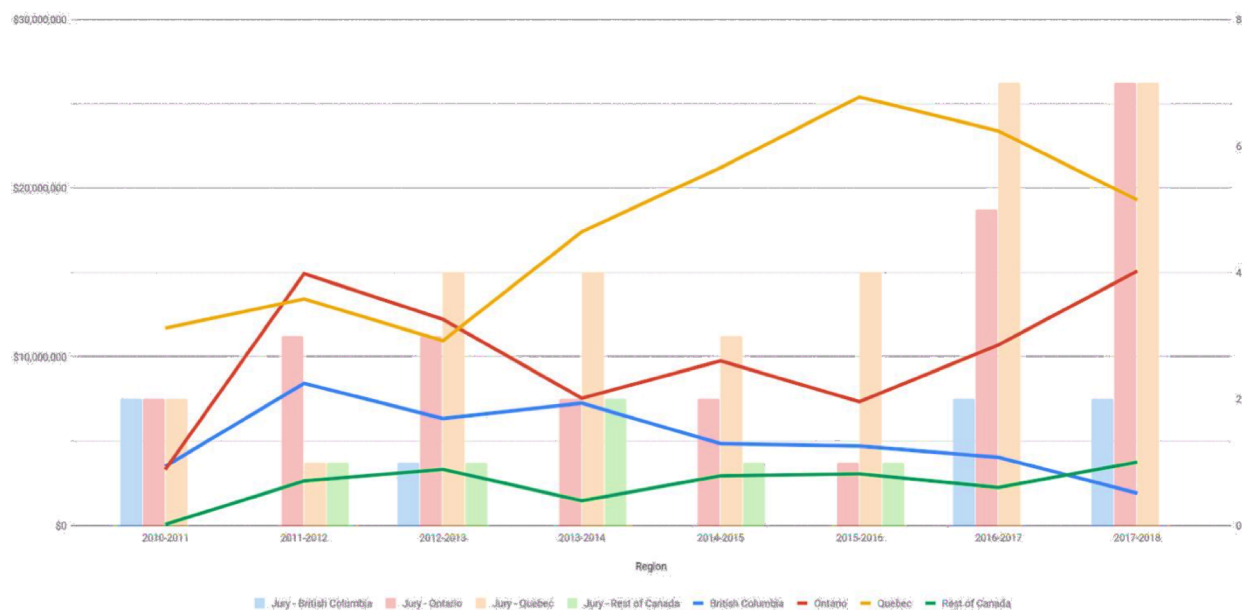
Below is a macro look at the trend – a visual representation of financial awards alongside jury makeups. There is a lot happening in this chart, but it deserves explanation as the detail here sets the stage for future inquiry.

- **GENERAL:** The data has been binned into provincial representation, specifically British Columbia, Ontario, Quebec, Rest of Canada.

- **COLUMNS:** The transparent columns represent the **Jury Count by Provincial Representation**. It is important to note that the international jury representation has been scrubbed from this analysis.

- **Analyst notes:** The program is set up with equal representation on the jury and then diverges inconsistently over time to unequal representation. Note that of the three core provinces, BC is not represented in four of the eight sample periods. Other than in year one, BC is always under-represented on the jury.

- **LINES:** The lines of the graph represent the **Dollar Funding to the Provincial Applicants**. This is specifically funding to the Experimental and C3P programs.



- **Analyst notes:** Again what we see is an ideal starting position in the inaugural year. BC and ON have equal representation with a funding bias to Quebec, which is to be expected in the inaugural year. Across the sample period, there are deviations in funding in the next two years, but there could be a skewing effect based on the market sizes or application volume by province. These trends seem to be in line with each other. The periods ending 2013-2014 (two years) are a turning point where the funding and jury representations all skew heavily in favour of Quebec and Ontario to the detriment of British Columbia and the rest of the country. A significance test has yet to be performed on this set, but there

seems to be a strong correlation, visually, to the jury representation and the funding decisions in Ontario and Quebec specifically in the last two years.

Conclusion

The CMF is failing the BC IDM sector. The nickname of the fund is the “Create Montreal Fund,” indicative both of the reality that BC has not received its fair share, and the level of frustration in the sector in BC towards the CMF Experimental Stream funding trend.

Further research is required to fully understand all of the factors at work feeding this negative trend. Data speaks to bias in jury composition and results. Informal polling of industry resulted in the following sentiments being expressed. These sentiments are likely factors in the failure of the CMF in BC.

- The effort required to complete a complex and time-consuming application is not worth the perceived outcome.
- Even if a studio is to receive funding, compliance costs are so high that the funding is deemed “expensive money” and not worth applying for.
- Receiving CMF funding is a barrier to acquisition and a hindrance to bringing on additional funders.
- The people at the CMF are film people and have very little knowledge of the IDM sector.
- The materials are designed for film and tv and adapted to IDM, which is problematic. IDM is a second thought add-in and it feels that way.
- BC studios have limited access to CMF staff and advisors and a lesser understanding of programs than those in the East.
- BC has not developed the industry expertise to have a high degree of success in our applications, paired with little access to CMF personnel.
- CMF funding, while called “experimental” in fact rewards proven success, which is often the opposite of experimental. How can the same studio receive 21 awards, if it is truly innovating?
- Innovation is not rewarded.
- The same Montreal studios get money every round, this is not a fund for us.

RECOMMENDATIONS

Priority

- 1. A CMF Director from the Experimental Stream located permanently in Vancouver.**
- 2. Creation of an envelope of funding specifically for the IDM sector in BC, administered in BC.**
- 3. Going forward, there should be a requirement for at least one juror member from BC to be present on each jury.**

Secondary

4. Repayment of the CMF Experimental Stream is very low, yet compliance costs are extremely high. This should be analyzed, and changes made. We recommend the CMF Experimental Fund be turned into a grant with reduced compliance requirements.
5. Rework the program to incentivize Canadian created IP.