



December 18, 2015

Ms. Danielle May-Cuconato  
Secretary General  
CRTC  
Ottawa, Ontario  
K1A 0N2

**Filed electronically**

Dear Ms. May-Cuconato:

**Re: Broadcasting Notice of Consultation CRTC 2015-467 – Call for comments on the Commission’s policies relating to Certified Independent Production Funds**

**Introduction and Executive Summary**

1. We thank the Commission for providing the opportunity through this public process to explore options for Certified Independent Production Funds (“CIPFs”) to provide greater flexibility in the funding of Canadian programs in today’s exciting and ever-changing media landscape. With the Commission’s stated goal that *CIPFs continue to contribute towards the development of a robust Canadian production sector ... better able to offer compelling, high-quality content to Canadians as well as consumers throughout global markets*, we are pleased to provide insights about the business practices of the Shaw Rocket Fund (“Rocket Fund”) as well as recommendations on this very important matter.
2. The Rocket Fund believes that by building on its proven success, it can continue to be the preeminent fund for children’s and youth content in a manner that meets the expectations of the Commission. We see a fund investing in Canadian programming that’s inspirational for kids, that fosters innovation with an outlook on children’s own innovation, and is as interactive as today’s kids are. We see ourselves supporting the creation of entertainment at a level that children and youth will expect 5 – 10 years from now, and enabling the production of Canadian children’s programming that speaks to Canadian kids as well as children globally. We see ourselves supporting producers that are leaders and drivers of innovation in children’s media throughout the world.

3. Regulation to protect and ensure that Canadian children's programming thrives needs to be balanced with freedom to meet this generation's demands. With this balance in place, we believe the Rocket Fund is strategically placed to play a leading role in meeting the Commission's objectives and driving this sector successfully into the future. To ensure a bright and enhanced future for the entire broadcasting industry, it is essential that we all are fully attuned to the changing face of media consumption habits amongst youth and children.
4. The Shaw Rocket Fund's Board of Directors established the following vision for the Fund: *Children and youth throughout Canada and around the world enjoy great Canadian programming.* The Fund remains motivated also to deliver on its stated mission: *The Shaw Rocket Fund will invest in and champion quality Canadian children's programming with financing that supports the growth of the production industry.*
5. The Rocket Fund believes that equity financing is "the" way to encourage excellence both in program production and the marketing of Canadian content globally. It builds and reinforces the industry by encouraging successful business models that better serve the ultimate beneficiaries – children and youth. Through strategic investments, the Rocket Fund is demonstrating a level of sustainability via recoupment on its investments from the international success of programs. As producers share recoupment with the Rocket Fund, they are also building a more certain future for Canadian programming.
6. While this model is proven, certain regulatory criteria inhibit Rocket Fund's ability to reach its full potential. Current criteria include limitations to BDU contributions to CIPFs (which are declining and will continue to decline); limits on the types of Canadian programs funded due to requiring that the program must meet at least 8/10 Canadian content points; and certain broadcast requirements that do not allow for the flexibility identified in this proceeding. We are encouraged that the Commission has recognized some of the barriers that exist when looking towards a more flexible solution to funding Canadian-made media.
7. The Rocket Fund urges the Commission to consider how children and youth consume media in order to better understand the next generation of consumers of *all* Canadian content as part of contemplating changes to the policies of CIPFs and the funding system as a whole.
8. It is well known that children and youth are driving the future broadcasting system. Generation Z, born after 1995 and turning 18 between 2013 and 2028, represent about two billion worldwide and one quarter of the North American population<sup>1</sup> and is estimated to become a larger cohort than the Millennials (Gen Y). Statistics Canada estimates that Canadian Generation Z represent 22 per cent of our population<sup>2</sup> and will become the largest group of consumers by 2030<sup>3</sup>. Gen Z is deemed to be the first global generation with exposure to international ideas and challenges and diverse cultural identities. They are true digital natives who have been born into a world where unrestricted connectivity and content discovery are the norm; they have access to an abundance of video options that can be experienced on any device of their choice, and where interactivity is expected. They are not early adopters of technology, nor are they mere converts to technology. Technology and choice are inherent in their lives.

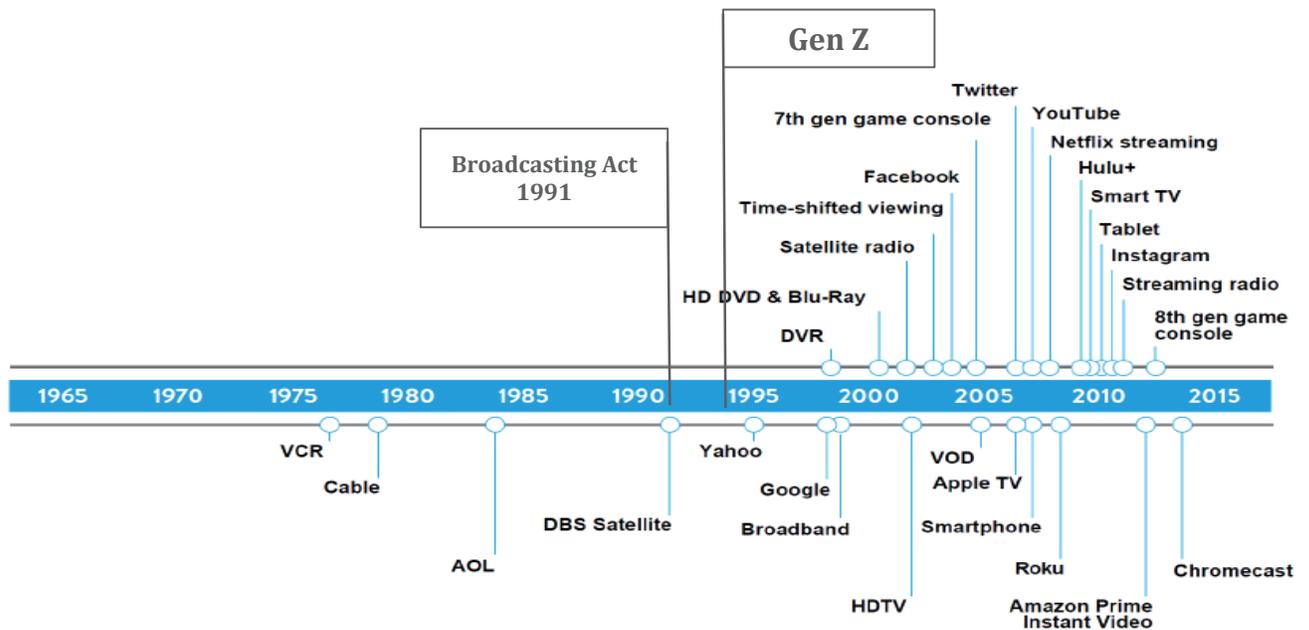
---

<sup>1</sup> Celine Cooper: The Rise of Generation Z, Special to Montreal Gazette, Nov 1, 2015

<sup>2</sup> Statistics Canada 2011 Census

<sup>3</sup> Rocket Fund Research Paper: Media, Technology and Consumption Among Youth

9. The future television system we are writing about today is already a reality for Gen Z and well beyond the current regulated broadcasting system. This generation was born just as Yahoo and Google were launched into the market – and live within a multi-screen environment that offers an abundance of content and choice.



10. Bill Gates, founder, Microsoft said in January 2007: “The Internet is becoming the town square for the global village of tomorrow.” While the internet could still be considered the “town square” in 2015, media has become the new “home”--especially for our children.
11. The feeling of responsibility to provide Canadian media content to children has now morphed into an even greater responsibility, due to easily accessible devices and the vast abundance of choice for children on their devices. While programming for children and youth was not identified or prioritized in the initial stages of the *Let’s Talk TV* proceedings, during the public consultation individual Canadians and other interveners wrote and spoke about the both value of children’s programming and the importance of Canadian children watching Canadian programming.<sup>4</sup> And the Commission itself stated in its Regulatory Policy that “*The Commission considers children’s and youth programming to be an integral part of the broadcasting system.*”<sup>5</sup> We respectfully remind the Commission to consider the importance of content for children and youth when making regulatory decisions regarding the broadcasting system, and to consider the role of CIPFs such as the Rocket Fund when it comes to content for children.
12. The Shaw Rocket Fund sees itself as vital partner with Canadian producers to offer children robust world-leading Canadian content that is respectful of who they are as children, both as citizens of our country and as citizens of the world. We support Canadian-made media that represents Canadian values, reflects our diversity and respects and speaks to Canadian children – all while positively showcasing Canadian leadership on the world stage. With our investment and support, we are helping meet one of the key objectives identified by the Commission as part of this proceeding.

<sup>4</sup> Broadcasting Regulatory Policy CRTC 2015-86, Section 298

<sup>5</sup> Broadcasting Regulatory Policy CRTC 2015-86, Section 298

*"The Shaw Rocket Fund has not only had a major impact on production of Canadian children's programs but has also be very pro-active in international promotion of the projects, and Canadian companies in the process."*

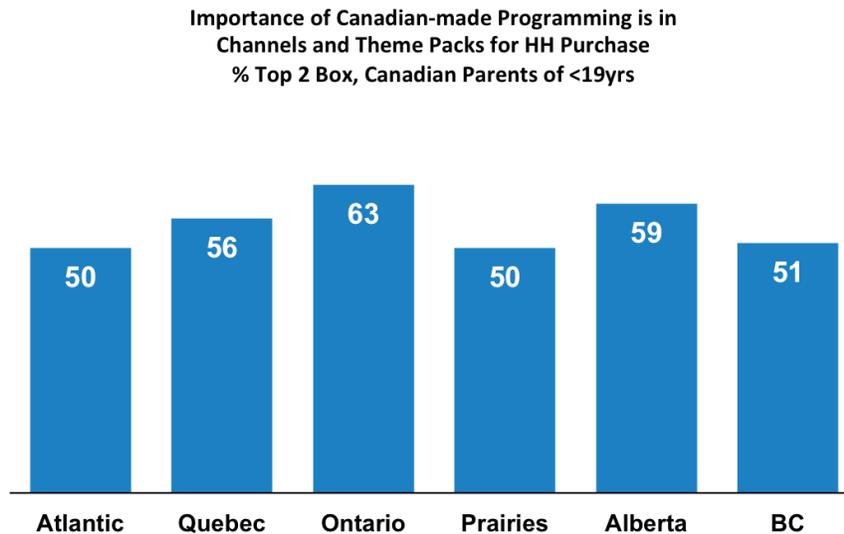
Steven DeNure, President & COO, DHX Media Ltd.

13. Since 1999, the Rocket Fund has invested \$177 million into 607 television programs and since 2010 into 83 associated digital media content for children, youth and families. We support programming in both official languages, Aboriginal languages and other minority languages, on all Canadian networks that air children's and youth programming with public and private broadcaster support split evenly. The Rocket Fund is a model that supports the sustainability of the children's production industry and the ongoing contribution to the creation of high-quality media content for kids that is enjoyed by children across our country and abroad. Responsive to a changing environment, we can help ensure that the media experiences for children, youth and families are maximized within a new flexible funding system.

### **Children & Youth: The Future of Television**

14. For Canadian youth, it is an understatement to say television (TV) is no longer synonymous with the content it carries into their homes. This is in stark contrast with their parents' TV experience. As identified in the Rocket Fund Research Paper: *Media, Technology and Content Consumption Among Youth* submitted as part of this submission, Canadian children are driven by the desire to easily access compelling, relatable storytelling on the device of their choice. While TV is still the primary device for viewing their programming, it is simply one of the tools by which to consume it. "Let's watch TV" has become "How do you want to watch your show?"
15. However, while TV is now just one of many vehicles young people are choosing to consume programming, it continues to maintain a central and familiar space in the homes of most Canadians. That space, however, cannot be taken for granted, as young Canadians continue to define their position within the growth of today's digital storytelling eco-system. Our research shows that between 2010 and 2014, watching programming on TV decreased by 21 per cent, whereas the laptop/PC and smartphone have both increased by at least 20 per cent. By 2014, the number of hours spent with content via digital technology that is mobile surpassed traditional stationary TV by a ratio of 12.96 hours to 10.72 hours. By the same measure, 60 per cent of Canadian kids acknowledge the future of TV is online. By 2030, Gen Z is expected to be the most populous in Canada. Simply put, in order to remain relevant, the broadcasting system must adapt to these changing demographics and consumption habits by becoming more flexible and responsive to today and tomorrow's reality.
16. Amongst all this change, 60% of Canadian children still desire high quality Canadian-made programming that is aspirational, relatable and relevant to them. Our research also shows that 68% of kids 9-18 surveyed said they are proud when a show they like is Canadian, and 46% like shows that reflect them as Canadians.

17. Similarly, Canadian parents feel it's important that programming is made in and about Canada and that access to Canadian-made programming in households is important to families in every province:



18. Parents believe that having government involvement in minimum number of hours of Canadian made content is important for children of all ages including teens. Surprisingly it is very important for teens themselves to have access to Canadian programming, when teens are making content decisions themselves.
19. Consumers of tomorrow -- the children of today -- expect the entertainment business of Canada to be aligned with their habits and their expectations, and this includes access to quality Canadian programming on the device of their choice within a seamless experience.
20. The viewing habit of youth outlined in our Research Report are corroborated by the PwC Media Outlook Report which states<sup>6</sup>:

Today's entertainment and media companies need to do three things to succeed:

- 1) Innovate around the product and the user experience
- 2) Develop seamless consumer relationships across distribution channels
- 3) Put mobile (and increasingly video) at the centre of consumer offerings

Put simply, today's entertainment and media industry is about consumer choice, innovation and experience, irrespective of whether delivery is digital or non-digital.

Mastering the user experience is now critical to the success in this industry. It's time to embrace what we have learned.

---

<sup>6</sup> PwC Global entertainment and media outlook 2015-2019

## **Response to Questions: Broadcasting Notice of Consultation CRTC 2014-467**

21. CIPFs have been in existence since the decision to allow BDUs to allocate a percentage of their contribution to Canadian programming to a CIPF of their choice<sup>7</sup>. To date, CIPFs have met the Commission's objectives and have operated in a manner that benefit the media industry overall. There has been no call for change other than in 2010 where the CIPFs requested a slight improvement to regulation allowing for more flexibility in funding with respect to development and digital content<sup>8</sup>. We urge the Commission to build on the success of the CIPFs as they exist today and look towards the future when contemplating a new flexible funding system and within the Commission's own policy in CRTC 2015-86 which states that: *outcomes may be achieved without regulation and should regulatory intervention be warranted, such measures should be as simple as possible, proportionate, easily administered and adaptable to change.*<sup>9</sup>
22. The CIPFs are a CRTC success story. Organically, each CIPF has evolved to support a designated niche of programming, and each has become an expert within its own niche to best serve the production community overall. Having the ability to adapt as the market demands is a strength of the CIPFs. The Rocket Fund, being dedicated to children's and youth programming, has been able to directly support producers of children's and youth content through its strategic investments based on our deep understanding of this sector, and with targeted initiatives specific for producers of children's and youth programming, such as the Shaw Rocket Prize and its international initiatives.
23. We urge the Commission to draw on the strengths of the CIPFs and not encumber them with additional regulation and administrative burden when CIPFs resources are already very limited in a declining BDU environment. We recommend that the CIPFs resources be left to maximizing its contributions for the benefit of the production industry, and allow CIPFs to continue to have the ability to best support Canadian programs, and not be held to public policy (ie set regional spends, OLMCs quotas, etc.) which is the role of public funding entities.

### **Contributions by CIPFs to a flexible, forward-looking television system**

#### **Q.1 How can CIPFs better contribute to a more robust and well-capitalized Canadian production sector that is better able to exploit longer-term revenue opportunities and partner with broadcasters?**

24. A true flexible funding system in itself is the most important measure to allow CIPFs to better contribute to a changing Canadian production sector.
25. Looking to the future on the viewing habits and device use of Generation Z, a flexible funding system must allow for shifts in viewing habits over the next 5 – 7 years. Allowing the Rocket Fund to contribute in a manner that best supports programming where the audience expects it, would not only meet this objective but would propel Canadian kids programming throughout the world benefiting the entire children's production sector, including the regulated broadcasting system. Today, kids' primary device for viewing their content is still the television, in 5 years from now that device could look very different, or frankly be similar to today. CIPFs need the flexibility to evolve with the audience to ensure that

---

<sup>7</sup> Public Notice CRTC 1997-98

<sup>8</sup> Broadcasting Regulatory Policy CRTC 2010-833

<sup>9</sup> Broadcasting Regulatory Policy CRTC 2015-86, Section 5

Canadians always have access to high quality original Canadian content on the platforms and devices of their choice. This would meet the Commission's ultimate goal where the *"future television system will be one in which Canadians have a seamless experience when accessing their content of choice"*.<sup>10</sup>

26. To achieve this, CIPFs need full flexibility when funding programs. In addition to meeting each CIPFs individual criteria as established by their respective Board of Directors, we recommend that the content funded by CIPFs simply meet the following minimum criteria: achieve a minimum 6/10 Canadian content points (or the reasonable equivalent for digital content), be owned and controlled by Canadians (independently, or through a treaty co-production or co-ventures) and be available to a Canadian audience in a meaningful way through a Canadian owned entity (broadcaster, OTT such as Shomi or Crave TV, etc.)
27. In an environment where BDU contributions are steadily declining, and in the case of the Rocket Fund materially over the past 4 years, any new measures to support the industry through CIPFs must be backed by reliable contributions. We thank the Commission for acknowledging the value of the CIPFs when making its decision regarding tangible benefits and allowing an increase to the discretionary allocation to CIPFs of the mandated allocation that goes towards funds.<sup>11</sup> While this sets the stage for an increased contribution to the CIPFs and is greatly appreciated, more reliable sources of contributions are required to meet the Commission's objective to be able to better contribute a more robust and well-capitalized Canadian production sector.
28. With this in mind and building on the strengths of the CIPFs, and specifically the Rocket Fund representing a sector that creates content for our children, we ask the Commission to provide full flexibility to BDUs when directing their 3% required contributions to Canadian programming between the CIPFs and the Canada Media Fund ("CMF"). CIPFs should be allowed to compete for a greater portion of BDU contributions. We further recommend that in the event that a BDU makes a change to its allocation, the BDU be required to give both the CIPF and CMF a minimum 6 months notice prior to each respective fiscal year end in order to allow for planning and to implement change effectively.
29. To further its role in supporting the producers and programming the Rocket Fund invests in, we ask for a 2 per cent allocation from BDU contributions specifically for industry and discoverability initiatives such as sponsorships, talent development, and international initiatives. This supports the Commission's desire to have CIPFs showcase Canadian programming and talent globally. Although the CIPFs contributions are declining, this allocation is much needed to grow the industry, drive awareness of Canadian-made content and to compete on a global level. Such support will help position producers on an international scale and contribute to their sustainability.

## **Q.2 What barriers currently prevent or impede CIPFs from contributing to the above-noted objective?**

30. As stated above in Section 27 and 28, the cap on the allocation of BDU contributions to CIPFs limits the funds ability to grow and inhibits the goals set out by the Commission, especially with steadily declining BDU revenue. We believe the CIPFs should be able to compete for a greater allocation of BDU contributions. While a higher allocation to Rocket Fund would have some effect on the CMF, the Rocket Fund investment in children's programming is critical to the

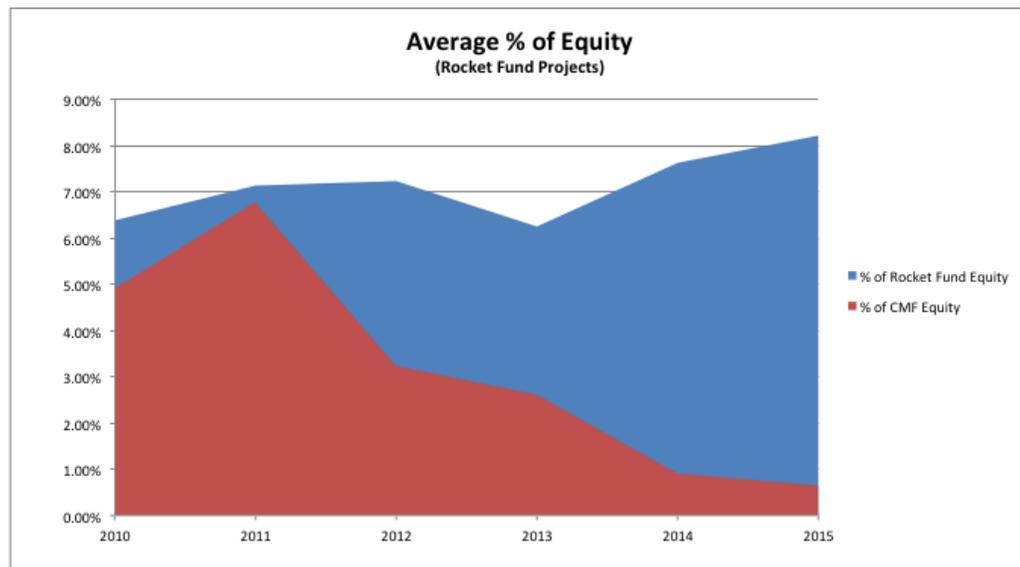
---

<sup>10</sup> Broadcasting Regulatory Policy CRTC 2015-86, Section 17

<sup>11</sup> Broadcasting Regulatory Policy CRTC 2014-459, Section 21

sustainability of the Canadian children’s production sector. On average, 20% of the productions Rocket Fund invests in do not have CMF funding (either by lack of allocation or not being eligible), however in 2015 - 51% of the productions that the Rocket Fund invested in were without CMF funding demonstrating the growing need for Rocket Fund investment for children’s content.

31. Even when a production receives CMF funding, the Rocket Fund has been the primary equity investor the children’s and youth productions it invests in:



32. A greater allocation of BDU contributions to Rocket Fund would provide much needed investment in children’s programming and allow the Rocket Fund, with its proven investment strategy, to contribute to a more robust Canadian children’s production sector and meet the Commission’s objective to offer compelling, high-quality content to Canadians, as well as consumers throughout global markets.
33. Removing the requirement to air all programming that receives funding would allow the Rocket Fund, and the broadcaster, to redirect limited funds to other programs should a program not meet audience expectations. Audience appeal is not guaranteed and despite best efforts, there are times when a program should not continue to be produced and air, and the CIPFs and other financiers should have the ability to move their resources to other programs that have greater audience appeal.
34. Removing the requirement for CIPFs to spend their contributions within 2 years would allow for greater flexibility in how CIPFs fund. While the Rocket Fund doesn’t currently fund development specifically as a stream of funding, we are a proactive strategic investor that looks for opportunities that have greater potential with the audience and in the global marketplace, and we support producers with the development of their brands. Allowing for investment when the time is right rather than a deadline would allow the Rocket Fund to invest more meaningfully in content resulting in more robust programming that would benefit production companies, as demonstrated in the examples in this appendix.<sup>12</sup>

<sup>12</sup> Rocket Fund Examples of Brands

*"The Shaw Rocket Fund has an amazing grasp on the issues facing producers and broadcasters alike in the making of children's content. In particular, we could not have made The Next Step without their steadfast support."*

John Young, Managing Director, Temple Street Productions

35. Allow Rocket Fund to invest in programs that are certified Canadian content regardless of the points (therefore meeting at least 6/10 content points) as well as joint ventures. This will give the Rocket Fund the flexibility to invest in the best possible content and not be limited by a point system. If the program is deemed Canadian by the CRTC and CAVCO, it should be able to receive investment by the Rocket Fund. As the Board of Directors of the CIPFs are responsible for all funding decisions as part of the CIPFs governance requirements, programs would still have to meet the CIPFs criteria to receive investment. Many children's programs are produced at the 6/10 or 7/10 level which the Rocket Fund is not able to support.
36. The requirement for a Canadian broadcast licence is limiting, not just for producers and CIPFs but can be for broadcasters as well who are also looking for innovative ways to finance their productions. We recommend more flexibility with respect to the need of a broadcast licence to trigger our investment, to allow the Rocket Fund to best support programming where the audience and markets are. As children are still watching their content on television, the Rocket Fund will continue to support programming that primarily airs on television in the foreseeable future. We see this request as a way to plan for the future as content and viewership evolve.

**Q.3 How can CIPFs encourage Canadian producers to develop strategies and processes that will improve their ability to engage in the following:**

- **international co-productions and co-ventures;**
  - **promotion;**
  - **discoverability of their productions in order to increase audience viewership; and**
  - **the distribution of their productions on an international basis?**
37. Through strategic equity investments, the Rocket Fund already encourages all these aspects of production with producers as set out in its Guidelines. Within its application process Rocket Fund requires producers to demonstrate the probability of audience success with their creative materials, the international appeal including recoupment potential and the values and benefits the program brings to the audience - in order to obtain a Rocket Fund investment. Rocket Fund investment is competitive and only those productions that meet a combination of these criteria are successful in obtaining investment. This encourages producers to plan their approach.
  38. Allowing a 2% allocation to support various initiatives regarding international awareness and discoverability along with other industry initiative outlined above in Section 29 would assist producers with these strategies. CIPFs have the ability to promote a specific sector as a whole and can offer assistance through strategic international partnerships.

**Q.4 How can the Commission assist CIPFs in incenting Canadian production companies to better engage and invest more in script and concept development, both earlier in the production development process and over the longer production term?**

39. We believe that script development isn't the only issue, the issue also lies within funding cycles: the CMF being a public entity, must spend its budget within each fiscal year, broadcasters have annual spend requirements and CIPFs are required to spend BDU contributions within 2 years of receipt. These funding quotas tend to force producers and broadcasters to produce programs often while still requiring further development. For the CIPFs removing the 2-year spend requirement would allow for flexibility of funding programs when truly ready.
40. We recommend that CIPFs remain flexible in respect to development so that CIPFs themselves can determine at their discretion what kind of development support can be offered. Many of the CIPFs do not have the administrative resources for numerous streams of funding.

**Q.5 Should CIPFs take audience success into consideration as part of the funding approval process? If yes, how should CIPFs measure audience success?**

41. Within its application process, Rocket Fund already requests available audience ratings and international sales updates when funding subsequent seasons of a production to determine its audience appeal when considering investment. However, many of the Rocket Fund's investments are for first-run original series that cannot be easily measured, although historical data from productions of a similar nature are referred to at times. Unlike the CMF that has leverage with its broadcast envelopes to obtain audience ratings, the CIPFs must rely on what is available to the producer. While the CMF has offered to share their statistics on productions that have shared investment with CIPFs and such information is welcome and useful, not all programming that Rocket Fund invests in have CMF funding.
42. In today's world of online access to kids, a more flexible funding system would allow Rocket Fund, at its discretion, to support online audience testing which may help determine the popularity of a program before it is produced.
43. A more formalized approach to audience ratings with the Rocket Fund's limited resources is not achievable.

**Q.6 What incentives could the Commission introduce to increase and promote the creation of online productions? Which restrictions relating to the funding of online productions, if any, should be removed, and why?**

44. In order to achieve a full flexible funding system, the elimination of the 10% cap on unrelated digital content as set out in Broadcasting Policy CRTC 2010-833 would allow Rocket Fund to invest in children's content where it is best suited for the audience, which is migrating online. The Rocket Fund does not recommend caps or regulated requirements/incentives as such barriers are not reflective of the fast paced changes to the media environment. Furthermore, as BDU contributions decline, any caps on digital incentives or specific requirements would make such incentives less effective over time.
45. To that extent, simply removing the requirement that all online productions be associate with a broadcaster would allow for a more flexible funding system in today's media environment.

**Q.7 What impact would the removal of the requirement that a producer have a broadcast licence agreement have on the creation of Canadian content as a whole? For example, would it allow for the creation of more online production?**

46. The removal of the broadcast licence would allow CIPFs to fund productions based on the demands of the audience and meet the requirements of the producers. Removing the broadcast requirement would allow CIPFs to fund producers in more meaningful ways than just the current production-to-production basis. For example, the Rocket Fund could opt to finance slates of development or production of programs with a production company (where such slate of content overall meets the minimum Canadian content requirements) and would increase the probability of a success by spreading the risk over a number of varied content. This could help production companies grow and would also support broadcasters by being able to offer more robust programming.
47. Eliminating a broadcast licence would not eliminate broadcasters involvement as broadcasters play an important role in the Canadian media landscape and are valuable partners for producers and CIPFs. Broadcasters remain the primary vehicle to reach an audience.
48. In the case of children’s programming, children are still using the television as their prominent device of choice, and linear children’s programs continue to be of great demand worldwide. Eliminating the broadcast requirement sets the stage for the future, to allow the Rocket Fund to evolve with the audience and be ahead of the curve over the next 5 – 7 years, rather than being encumbered by regulatory requirements which would then need additional intervention to further adjust criteria to meet market demands.
49. In lieu of the licence trigger, we recommend there be a requirement that the productions or DMC demonstrate a means to reach a Canadian audience in a meaningful way through a Canadian owned entity. This could be through a linear TV licence, a Canadian OTT licence (Shomi, Crave TV), or other sources that have a meaningful presence and commitment in the Canadian market for the intended target audience.

**Q.8 What would be the best way to measure success in terms of achieving a more robust, well-capitalized and self-sufficient Canadian production sector?**

50. As an equity fund, the Rocket Fund measures success through audience engagement, international sales and ultimately the recoupment of its investment. If the Rocket Fund recoups, it is a direct result of the programs success with the audience globally. As the Rocket Fund partners with producers, if the Rocket Fund recoups on its investment, the producer does as well. Recoupments on investment are a clear measure of success for all production sectors.
51. The Rocket Fund also measures success by the business practices of its producer partners which is reviewed on a regular basis by the Board when making investment decisions.
52. Over the past 5 years, Rocket Fund has provided equity investments to productions represented by 87 parent production companies of which 60% have received multiple investments over the years (and have been in existence over this time period), while 20% have received multiple investments throughout each of the years – demonstrating their sustainability. The Rocket Fund has seen growth in the industry with the likes of DHX Media, 9 Story Entertainment, Temple Street Productions and Breakthrough Entertainment. The Rocket Fund’s strategic investments with companies such as these have contributed to the growth and success of these corporations within this sector.

*"The Shaw Rocket Fund has been an invaluable partner and equity investor that works with Canadian independent producers in creating the best kids content in the world. Our partnership over the years has allowed us to grow our kids content exponentially. The Shaw Rocket Fund has been the key factor in making sure that we have a stable and sustainable kids content business in Canada. It has provided the absolute crucial support to our sector, propelling its tremendous growth."*

Ira Levy, President and Executive Producer, Breakthrough Entertainment

### **Criteria for certifying independent production funds**

#### **Q.9 Are the current criteria for certifying independent production funds still appropriate? For example, do they help foster a more robust, well-capitalized and self-sufficient Canadian production sector, or do they create barriers in achieving this objective?**

53. As demonstrated earlier in this letter under Section 26, changing the following criteria for CIPFs would help foster a more robust, well-capitalized and self-sufficient Canadian production sector especially in the children's production industry where children are viewing their content on many devices and platforms:

- Productions meet minimum 6/10 Canadian content points (or the equivalent for DMC);
- Remove the broadcast licence and need to air requirement; and
- Remove the cap on unrelated digital content.

#### **Q.10 What revisions and/or new criteria should be adopted to achieve the Commission's above-noted objective?**

54. As demonstrated earlier in this letter under Section 26, if a broadcast licence is no longer required, then we recommend that the following new minimum criteria should be adopted for eligibility:

- meets minimum 6/10 Canadian content points (or the reasonable equivalent for DMC)
- be owned and controlled by Canadians (independently, or through a treaty co-production or co-ventures) and
- be available to a Canadian audience in a meaningful way through a Canadian owned entity.

#### **Q.11 In regard to the criterion requiring a production to achieve 8 out of 10 points for Canadian content certification, how could this criterion be revised to better allow CIPFs to participate in the pilot projects announced by the Commission in Broadcasting Regulatory Policy [2015-86](#)?**

55. The Rocket Fund recommends that all CIPFs criteria be revised to allow for CIPFs to participate in any pilot projects resulting from Broadcasting Regulatory Policy 2015-86 should such pilot programs meet the individual CIPFs eligibility criteria, (such as in the case of Rocket Fund for children and youth).

#### **Q.12 What change, if any, should be made to the amount that may be allocated to unrelated digital media projects? Or is it necessary to limit funding to these types of productions at all?**

56. As answered in Q.6, funding for digital content should be flexible to allow the CIPFs to fund based on demand without caps or specific allocations.

**Q.13 Should the Commission revise the current requirement that to be eligible for funding, a production must obtain at least 8 points out of 10 for Canadian content certification? If yes, what should the minimum threshold be? What other criteria that are not part of the current point system could be used to count towards the minimum threshold?**

57. As demonstrated earlier in this letter, the Rocket Fund recommends that the content funded by CIPFs meet at minimum 6/10 Canadian content points established by CAVCO and the CRTC, or as adjusted from time to time.
58. The Rocket Fund invests in the best Canadian programs that are presented to the Rocket Fund for investment. For example, *The Next Step* (Temple Street Productions) is a worldwide success story, with global sales in over 100 countries, and live stage tour and successful 'dance app' and achieved 10/10 content points. *Slugeterra* (Nerd Corps Entertainment, now DHX Media) is a high quality animated series that airs on Disney XD in Canada and Disney XD globally, and is 8/10. *Max & Shred* (Breakthrough Entertainment) airs on YTV and Nickelodeon internationally achieved 8/10 content points whose American showrunner mentored Canadians who have since benefited by being able to run their own shows.
59. Conversely there are programs that have less content points or are co-ventures that the Rocket Fund cannot invest in. For example, the new Family Channel series entitled *Raising Expectations* starring Jason Priestley and Molly Ringwald met 7/10 content points and although the broadcaster and producer much needed Rocket Fund investment, was not eligible for investment by the Fund. Another example is *Daniel Tiger's Neighborhood* (9 Story Entertainment), a very successful preschool series that is a co-venture.
60. To support the Commission's goals to help foster a more robust, well-capitalized and self-sufficient Canadian production sector, reducing the 8/10 requirement would allow CIPFs and Rocket Fund to invest in a range of the best programs Canada has to offer.

**Q.14 Should the definition of what constitutes a "digital media project" be revised? What other forms of productions should be eligible for funding under this criterion?**

61. As a definition of a "digital media project" was not included in this Call for Comments, we assume that the Commission is referring to the explanation of 'new media projects' contained in "Broadcasting Regulatory Policy CRTC 2010-833:
- "innovative projects such as story-driven videogames, webisodes, mobisodes and interactive web content. As such, broadcaster website development and information technology enhancements, such as software for streaming video or the simultaneous streaming of a production, shall not constitute new media projects eligible for support from the independent production funds"
62. We submit that the definition of such rapidly evolving content will become obsolete or irrelevant in a short period of time. The Rocket Fund suggests that the Commission simplify its definition to identify content that would be considered an

eligible digital media project for funding and then identify technology or platforms, which is not considered content and therefore not eligible for funding. While there may be less certainty with a broad definition, it will also be better able to withstand the evolution of content over the coming years while staying true to the basic principle that CIPFs fund new content and not broadcaster infrastructure.

**Q.15 Should the Commission monitor and reassess a CIPF's certification periodically to ensure that it is operating in a manner consistent with the Commission policies and the certification criteria?**

63. Unless there is evidence that reassessment is required, a regular formal process would create unnecessary administration for the CIPFs.

***The governance of CIPFs***

**Q.16 Are the current criteria relating to Board composition and funding decisions sufficient for ensuring that decisions made by CIPFs benefit the broadcasting system as a whole? If not, what other criteria should be adopted?**

64. We believe that the current criteria regarding Board composition and funding decisions are sufficient to support the Commission's objectives and benefit the broadcasting system as a whole. Our support is based upon a recent independent review of governance that included an assessment of delivery against the criteria and effectiveness in achieving objectives; feedback from the industry; and sixteen continuous years of positive relations with the production community.

**Q.17 Is it appropriate to continue certifying as independent those funds that are created by broadcasters or governmental entities?**

65. The Rocket Fund has no comment on this matter.

**Q.18 Would it be appropriate to require that two thirds of the Board members be independent from BDUs and their affiliates?**

66. This requirement is already in place. CRTC 2010-833 and the governing notices that precede this, stipulate that "No more than one third of the members of the Board may be members representing BDUs". This requirement has been integrated in the Rocket Fund's by-laws.

**Q.19 Should an "independent member" be defined as a Board member having no economic links with BDUs and other private contributors or their affiliates? If not, how should an "independent member" be defined?**

67. The Rocket Fund defines "independent member" as a member who is not a representative of a BDU and a member who does not receive any direct benefit from the BDU investments made by the Rocket Fund.
68. However, as an equity investor committed to helping build the industry over the long term, and that the Board has the responsibility for its funding decisions, the Rocket Fund believes that industry and financial knowledge is an essential attribute for Board members. Industry experience is essential.

**Q.20 Should Board members be remunerated to ensure the independence of the CIPFs? If yes, what limits should be placed on remuneration?**

69. Rocket Fund believes that remuneration, if any, should be left to the discretion of the CIPF as any remuneration would fall within the administrative allowance and is managed by the CEO and the Board.

**Q.21 Given the fiduciary role of Board members, should “representatives of BDUs,” as referred to in the appendix to Broadcasting Regulatory Policy [2010-833](#), be replaced by “nominees of BDUs”?**

70. Current criteria and related policy clearly address the fiduciary role of Board members. Specifically: no more than one third of the members of the Board may be members representing BDUs; representatives of BDU’s shall have the right to cast no more than one-third of the votes; all decisions must be made by a majority vote. Further, the Policy states that any production fund that receives and administers contributions from BDUs must be constituted and operated at arm’s length from its contributors. In this context, we believe that “representatives of BDU’s” and “nominees of BDU’s” would be covered by the same guidelines. We see no need for change. However, should change be introduced, we suggest that it state “representatives and/or nominees of BDU’s.”

71. **Q.22 What other requirements, if any, should be imposed on a CIPF funded by a vertically integrated entity?**

72. We have no comment on this matter.

**Q.23 Should the Commission require that the positions of chief executive officer (CEO) and chief financial officer (CFO) be filled by Canadians who are independent from BDUs and other contributors or their affiliates, given the central roles the CEO and CFO play in the day-to-day operations of a CIPF?**

73. The Rocket Fund has and continues to operate with all key positions held by Canadians. The Rocket Fund ensures that the CEO as well as the Chair is independent of BDUs and other contributors or affiliates. We believe that staffing decisions including those related to the CFO position, should be determined by the CEO.

**Q.24 Should the Commission undertake a full analysis of the by-laws of CIPFs to ensure their independence and to ensure that no party has a controlling influence over their decision-making process?**

74. Commission approved the by-laws of each CIPF when the CIPF was certified. Unless there is a concern, we do not believe additional process is required.

**Q.25 Should the independence and governance of a CIPF be re-examined periodically? What types of changes in the governance of CIPFs, if any, should the Commission be notified of?**

75. Unless there is concern, the by-laws of CIPFs were approved by the CRTC which the CIPF must adhere to. We don’t believe additional formal processes are required.

### ***Reporting requirements for CIPFs***

**Q.26 Should CIPFs be required to submit reports to the Commission to ensure that these funds continue to operate in a manner consistent with the Commission's policies and to inform the Commission, and Canadians, as to how the funds they administer are being spent? If yes, would it be sufficient for a CIPF to provide the Commission with its annual report, where such a report is published?**

76. The Rocket Fund submits that an annual report be sufficient to report on the CIPFs operations. The Rocket Fund's annual reports are now online, and available on our website at [www.rocketfund.ca/publications](http://www.rocketfund.ca/publications).

**Q.27 Should the Commission require CIPFs to submit specific information to the Commission, such as the following:**

- **amounts spent on the administration of the fund;**
- **amounts dedicated to unrelated digital media projects;**
- **the composition of the Board and the relationship between each Board member and BDUs;**
- **amounts of funding allocated based on linguistic markets;**
- **amounts of funding given to local, regional, national and/or international productions; and/or**
- **the number of funded projects in relation to the number of applications received?**

77. The Rocket Fund complies with all criteria and operates in a manner consistent with approved by-laws. As a private fund, we do not have the administrative resources to provide such detailed reporting and such requirement would take valuable resources away from the Commission's objective as outlined in this notice. We do not believe that this is necessary.

**Q.28 Which information reported by a CIPF, if any, should be treated on a confidential basis and/or be audited?**

78. Reporting on the CIPF's investments in productions should be made public in an annual report. However, the CIPFs are private not public Funds. Accordingly, their financial/operations reporting should remain confidential.

### ***Accessibility of programming created through CIPF funding***

**Q.29 Should the Commission amend the CIPF certification criteria to require that all programming resulting from these funds, regardless of the platform through which it is distributed, be closed captioned (in a manner consistent with closed captioning quality standards and any amendments to those standards) and provided with described video?**

79. The responsibility to ensure a program is closed caption should lie with the broadcaster or content aggregator and not the CIPFs.

***Use of CIPF funding for productions linked to official language minority communities***

**Q.30 What roles can CIPFs play towards the achievement of the objectives relating to official languages set out in section 3(1) of the *Broadcasting Act*?**

80. The Rocket Fund accepts applications for investment in both official languages, and offers full bilingual services for producers. On average, 20% of the productions the Rocket Fund invests in are from the province of Quebec. We believe Rocket Fund's activities meet the objectives of the Act.

**Conclusion**

81. The Rocket Fund is actively seeking to expand its role in the industry, increase business opportunities for Canadian producers and maximize current resources of funding to ensure that a vibrant children's media business continues to thrive for the benefit of our children and youth. Keeping Canada at the forefront of this sector is a win for children and families, the children's production sector, and our country as a whole. With a change to a more flexible funding system, the Rocket Fund can build on its existing strengths and help drive producers forward to meet the demands of the Canadian kids audience - representing almost a quarter of our population - as well as establishing a global footprint in support of sustainability.
82. With the right balance of regulation and flexibility, the Rocket Fund as the preeminent fund for kids, can become *the* fund of the future serving the globally connected, interactive young consumers who will define the broadcasting system over the next 5 to 10 years. We can play a crucial role in helping achieve the Commission's ultimate goal where the "future television system will be one in which Canadians have a seamless experience when accessing their content of choice."
83. We thank the Commission for the opportunity to provide these comments and we look forward to supporting and building on them at further discussions on these matters. Should the Commission determine that a public hearing be warranted in respect to this Call for Comments on CIPFs, we respectfully ask to be invited to participate.

Sincerely,



Annabel Slaight  
Chair



Agnes Augustin  
President & CEO

\*\*\* END OF DOCUMENT \*\*\*