December 1, 2017

Mr. Chris Seidl
CRTC
Ottawa, Ontario
K1A 0N2

Filed electronically

Dear Mr. Seidl:

Re: Broadcasting Notice of Consultation CRTC 2017-359 – *Call for comments on the Governor in Council's request for a report on future programming distribution models*

1. We thank the Commission for the opportunity to comment on the Governor in Council's request for a report on future programming distribution models. The Shaw Rocket Fund ("Rocket Fund") is providing these comments as the only dedicated fund that supports audio-visual programming as well as non-programing content specifically for children, youth and families. Being an ongoing champion of high quality Canadian programming for Canadian children, we thank the Commission for the opportunity to respond to the important issues that surround the future programming for young Canadians today.

2. **Canadian youth, known as Gen Z or iGeneration, represent 22 per cent of Canada's population**[1]. It is imperative that any review or decision regarding programming acknowledges the value that children's media brings to young Canadians, the Canadian broadcasting system, and to Canada's footprint both at home and abroad.

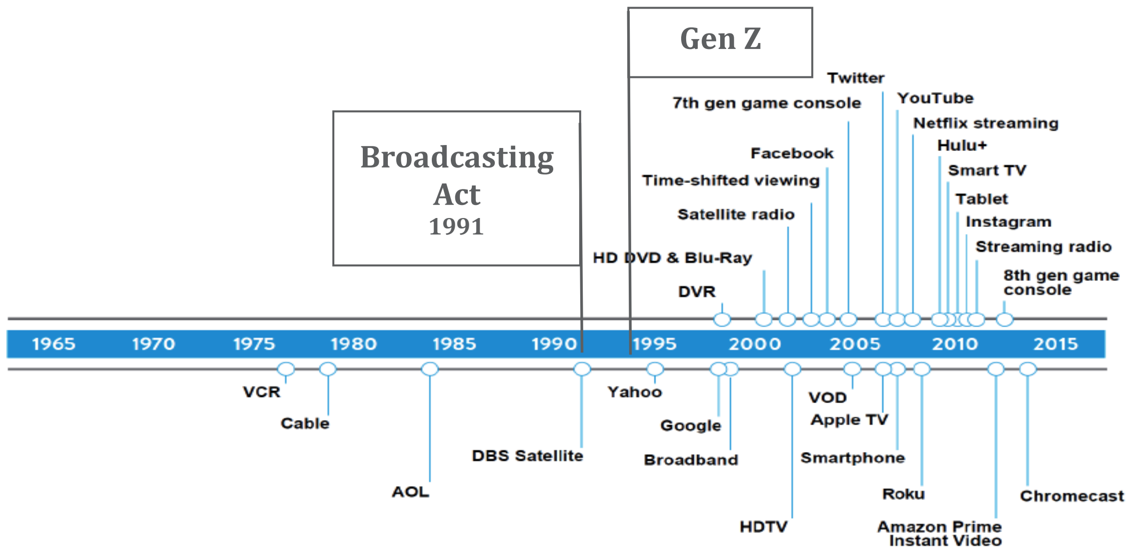
3. The Rocket Fund is a vital partner of the Canadian children's media sector in offering children robust world-leading Canadian content on all platforms. We support Canadian-made media that represents Canadian values, reflects our diversity, and most of all respects and speaks to Canadian children – while positively showcasing Canadian leadership on the world stage. With the Rocket Fund's investment and support, we are helping meet one of the key objectives identified earlier by the Commission: *A Canadian television system that encourages the creation of compelling and diverse programming made by Canadians*.[2]

[1] Statistics Canada 2016 Census

[2] Broadcasting Regulatory Policy CRTC 2015-86, Section 4

4. Generation Z is estimated to become the largest generation of our time, exceeding the Millennials (Gen Y)[3]. Statistics Canada shows that Canadian Gen Z or iGens represent 22 per cent of our population[4] and it is expected that this generation will become the largest group of consumers by 2030[5].

5. *"The manner in which iGens consume information is vastly different than previous generations. They're multi-screen-users and are accustomed to consuming large amounts of media from multiple touch points at once.*"[6]



6. This generation will set the stage for future distribution models for programming and media throughout the world. A 2016 study from The Center for Generational Kinetics states that: "*The generation after the Millennials, known as iGen, Gen Z and Centennials, will determine how every other generation ultimately uses technology. The generations before iGen, including Millennials, Generation X and Baby Boomers, will eventually adopt many of the technology habits and attitudes that iGen already views as normal. This happens because, as we have uncovered, technology trends now ripple up: from the youngest adults to the oldest*."[7]

7. Research shows that to reach this iGen consumer, one must change their marketing strategy. One survey found that iGen turn to social media first to learn about new products before buying them and they only follow brands that are able to demonstrate online that they represent the iGen's ideals.[8]

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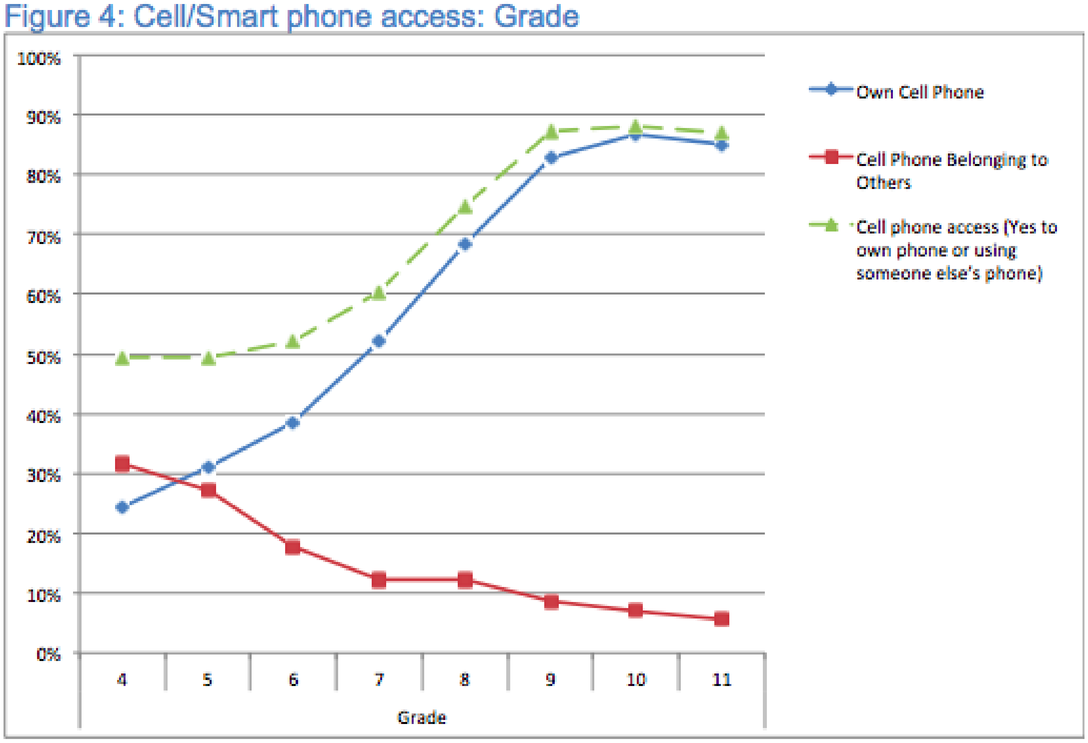
[3] Celine Cooper: The Rise of Generation Z, Special to Montreal Gazette, Nov 1, 2015
[4] Statistics Canada 2016 Census
[5] Rocket Fund Research Paper: Media, Technology and Consumption Among Youth
[6] How to Market to the iGeneration, Harvard Business Review Article, May 6, 2015
[7] 2016 National Study on Technology and the Generation after Millennials
[8] How to Market to the iGeneration, Harvard Business Review Article, May 6, 2015

8. As described in the Harvard Business Review Article "*How to Market to the iGeneration"* May 6, 2015, this generation can be reached by personalizing the approach, connecting with them through social media, being strategic in advertisements, exciting them with content and using mobile to reach them.

9. In 2014, 49 per cent of Canadian students in Grade 4 had access to their own phone or someone else's phone on a regular basis with about 24 percent of students in Grade 4, 52 percent of students in Grade 7 and 85 percent of students in Grade 11 have their own cell phone.[9] Current statistics for Canada are not readily available, however it is believed that the average age a child receives their first smartphone is 10 years old.

Most frequent online activities reported by students in 2014:
- 59% playing online games
- 51% downloading/streaming music, TV, movies
- 52% reading/posting on someone else's social network site
- 41% posting on their own social networking site
- 21% posting on their own Twitter site
- 21% following friends and family on Twitter
- 20% following celebrities on Twitter
- 20% pranking or trolling someone

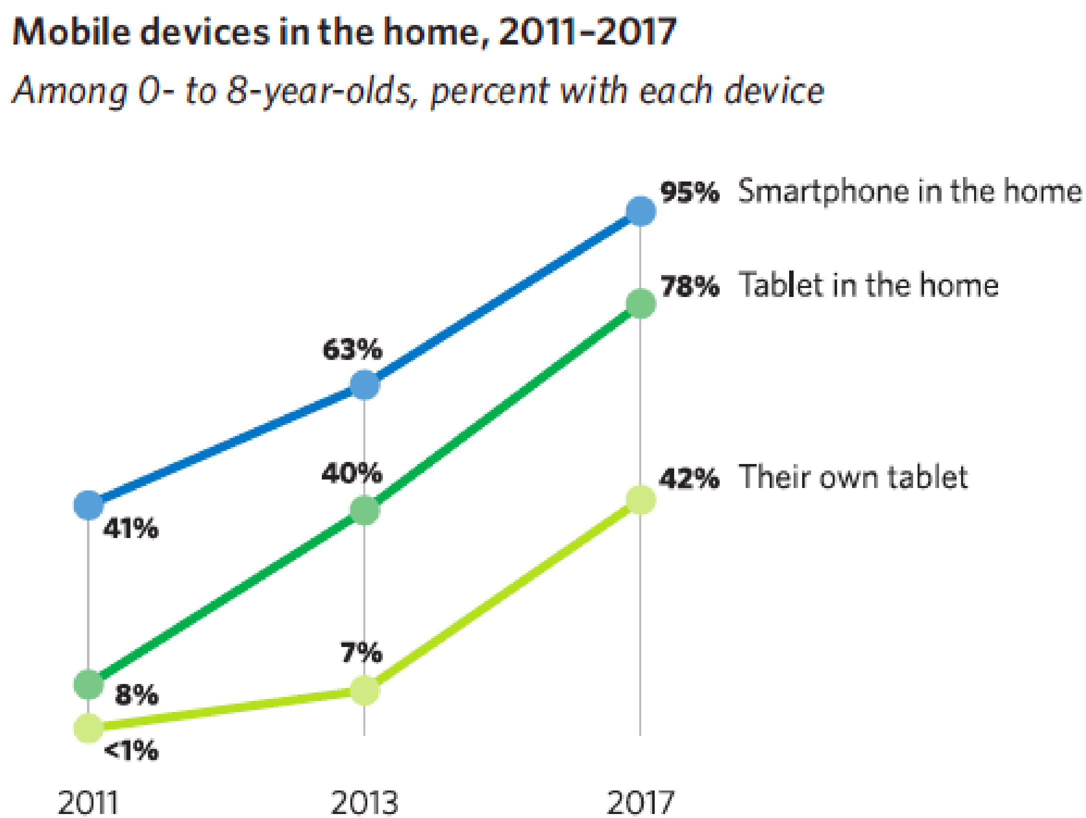
Figure 4: Cell/Smart phone access: Grade



SOURCE: Young Canadians in a Wired World – MediaSmarts 2014

9 2014 Young Canadians in a Wired World – MediaSmarts 2014

10. Ninety-five percent of American families with children 0-8 now have a smartphone, up from 63 percent in 2013 and 42 percent of American children ages 0-8 have their own tablet device, up from 7 per cent in 2013.[10] With the rapid growth in mobile use, today's statistics in Canada are guaranteed to be higher than seen in the United States.

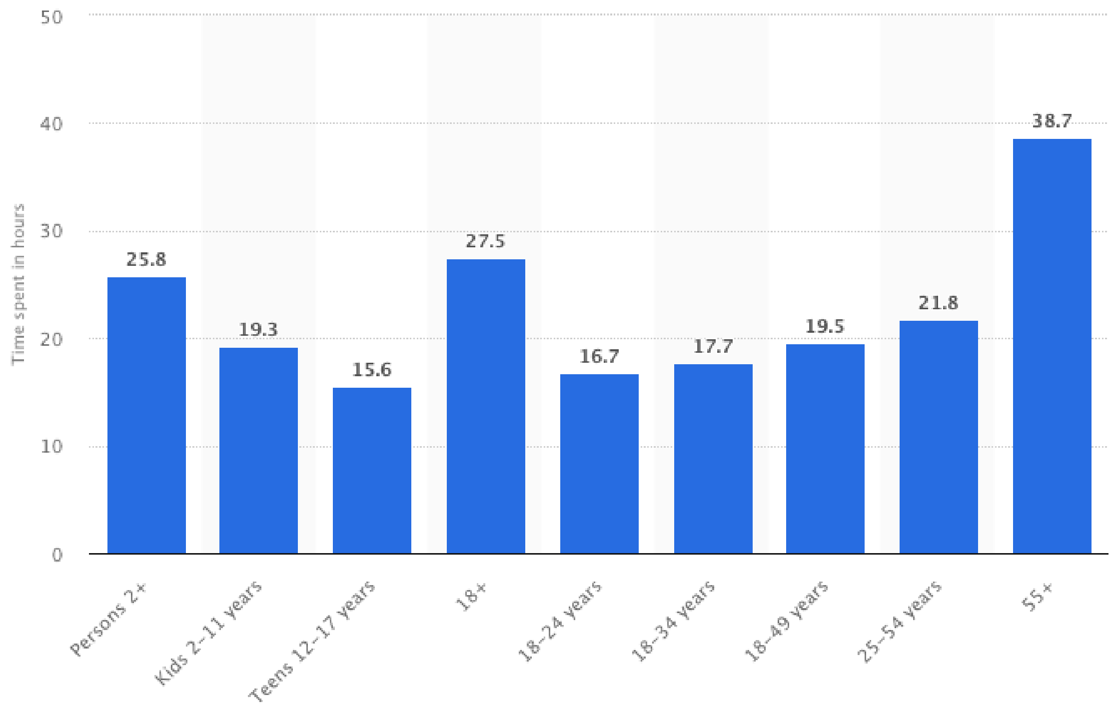


SOURCE: THE 2017 COMMON SENSE CENSUS: MEDIA USE BY KIDS AGE ZERO TO EIGHT

11. Conversely, it is well known that viewership of traditional linear television by this generation continues to decrease at a rapid rate. Gen Z aged 12-24, those with less influence of parents, are consuming the least amount of broadcast television of all generations averaging only 16 hours per week in 2016.

[10] 2017 Common Sense Census: Media Use By Kids Age Zero To Eight

Average weekly time spent watching television in Canada 2015/2016 broadcast year, by age group (in hours)



https://www.statista.com/statistics/234311/weekly-time-spent-watching-tv-in-canada-by-age-group/

12. Media consumption is driven by technology, both by its advancement and in its affordability. The increase in online usage is a result of young people's increased access to and ownership of devices which has resulted in the decrease of their linear television viewership.

13. While the trend to migrate online is obvious especially for this generation, those who lead in what the trends will be – iGen of the future – tend to be overlooked when considering the policies that surround their media consumption. "*Looking ahead, iGen also represents the best preview of future attitudes, beliefs and expectations about technology in the areas of privacy, security, dating, trust, work, and so much more*."[11]

14. We urge the Commission to look at the trends and practices of this undervalued generation, Gen Z, when reviewing the future distribution models for programming and all things media.

15. We are pleased to provide general answers to the questions outlined in this Call for Comments, in addition to the above detail which supports all questions outlined.

[11] 2016 National Study on Technology and the Generation after Millennials

Future programming distribution model or models

Q1. How is the growth in online audio and video consumption changing the business models of program creators and distributors? What are the new models?

16. With over 69 per cent of Canadians actively watching videos, sharing or uploading them online[12], it can only be assumed based on known trends that young people are viewing at a much higher rate.

17. With the decrease to linear television viewership with this generation, the value of television programming has decreased drastically on a global scale and producers of children's media have had to find innovative ways to finance their content.

18. As a result, business models in Canada have changed incredibly over the past two years and continue to evolve incorporating new financial partners such as brand partners (investment in content, not product placement) as well as tapping into the lucrative SVOD market primarily out of the United States (Netflix, Amazon). Apple announced recently that it will invest $1 billion into original content as will Facebook – both social platforms where Gen Z already thrives. It is clear as we navigate forward, the new models must incorporate access to online platforms that include multiple experiences and are on demand.

19. In addition, traditional marketing of programming is less effective, and frankly ineffective for Gen Z. Content providers today must be in control of the discoverability of their content on a global scale as part of their business model, and be the lead for the marketing and social media campaigns that will drive audiences to their program, regardless of the platform.

20. The industry remains in flux and while new models are emerging, producers are generally tied to current regulation and Canadian funding regimes when financing their content, which tends to inhibit the development of meaningful new models and lacks of support for marketing and discoverability.

Q2. Content is generally monetized through advertising, subscription and/or transaction revenues. How are new business models shaping the evolution of these revenue sources?

21. The Rocket Fund is seeing the trend of brand partnerships as a new model of revenue, however the growth of revenue in this emerging market is slow. Revenues for content are still primarily from traditional sources such as linear television sales and merchandising, and tend to now incorporate SVOD sales. In the children's space, more producers are finding success online with YouTube through their YouTube channels.

22. Online advertising tends to be paid for by the producer as part of their discoverability / marketing budget, however we are seeing a shift. In the world of children's content, advertising remains a contentious issue however DHX reported in their Ipsos Study that 86 percent of parents say YouTube offers child-appropriate advertising. The study predicts that YouTube ad revenue could swell to US$20 billion by 2020 based on this assessment.[13]

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[12] Media Technology Monitor

[13] DHX/Ipsos Study – September 2016 study of 2,700 parents in the US, Canada and the UK

23. We submit that opportunities for advertising will expand. Slightly more than 4 in 10 adults in the US and Canada profess to choosing a television show or movie at least sometimes because of the buzz it's getting on Facebook, Twitter or other social networks[14]. And as of today, 36 percent of Canadian users say Twitter helps them find new shows. Thirty-five percent say it helps them decide what to watch and over 8 million Canadians say they turn to Twitter while watching television[15].

Q3. Many new business models are global. How will the growth of a global content rights market affect business models?

24. As with any change, the industry as a whole will need to adjust to a global rights market. New thinking will be required however producers still must rely on traditional funding sources (broadcast licences and distribution advances) which remain tied to traditional exploitation requirements, and this practice inhibits the expansion into true global exploitation.

25. The Rocket Fund submits that with the right tools and flexible financial support, producers eventually will be able to create global exploitation models that incorporate a direct-to-consumer approach in partnership with either traditional or non-traditional partners.

Q4. Given Canadians' ever-increasing demand for data to stream audio and video content on fixed and mobile broadband networks, how will these networks keep pace with future capacity requirements, particularly in rural and remote areas?

26. The Rocket Fund defers to those who have the ability to answer this question.

How and through whom Canadians will access programming

Q5. Canadians currently enjoy audio and video content through a combination of traditional broadcast and Internet-based services. How will consumer behaviour evolve in the next five years? What factors will influence this evolution?

27. The Rocket Fund submits that content that is accessible on various devices, is affordable that speaks to the consumer and offers an individual experience, will dominate.

28. The PwC Media Outlook Report 2015-2019 states:[16]

> 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

[14] Marketing Charts, September 2017
[15] Insights Blog by Alyson Gausby, August 28, 2017
[16] PwC Global entertainment and media outlook 2015-2019

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.

29. Other research supports PwC's findings for reaching Gen Z. One survey found that iGen turns to social media first to learn about new products before buying them and only follow brands that can demonstrate online that they represent their ideals. They also personalize everything and are the generation of today![17]

Q6. From whom will Canadians access programming in the future? For instance, will Canadians look to traditional or online providers? Global or domestic providers? Content aggregators or multiple distributors?

30. All of the above. We submit that consumers will find the content they want, for the lowest cost on any platform from any country. While we worry about distribution methods, young consumers are more concerned about access to the programs they want, preferably on any device of their choice. They migrate to the platform(s) that offers the desired programming so long as the cost is reasonable.

31. Discoverability is and will continue to be key for any content provider. The content provider/platform that understands the consumer and invests in the appropriate marketing and finds ways to create excitement and awareness of their content with their consumer, will be discovered regardless of platform or location.

Ensuring a vibrant domestic market capable of supporting the continued creation, production and distribution of Canadian programming

Q7. What are the characteristics of a vibrant domestic content creation and distribution market?

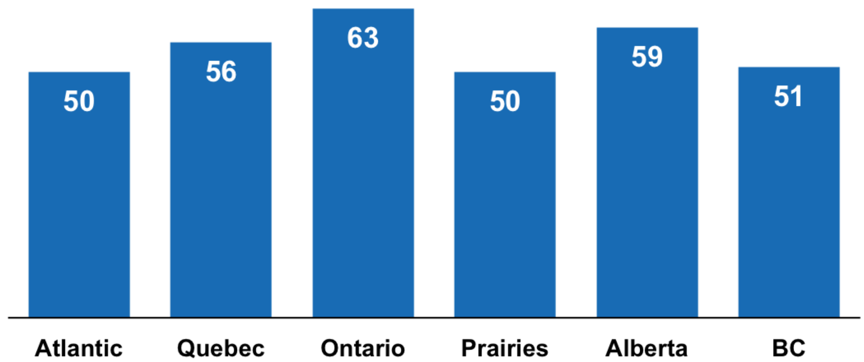
32. We submit that a vibrant domestic market is one that embraces the Canadian content we produce, offers audiences in Canada and around the world the opportunity to discover our great programming through robust and meaningful discoverability plans as well as ensuring that Canada is aligned with strategic international partners.

33. This is supported by Rocket Fund research, where interestingly 60 per cent of Canadian children still desire high quality Canadian-made programming that is aspirational, relatable and relevant to them. Our research also shows that 68 per cent of kids 9-18 surveyed said they are proud when a show they like is Canadian, and 46 per cent like shows that reflect them as Canadians.

34. 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:

[17] How to Market to the iGeneration, Harvard Business Review Article, May 6, 2015

Importance of Canadian-made Programming is in Channels and Theme Packs for HH Purchase
% Top 2 Box, Canadian Parents of <19yrs



35. Parents believe that having government involvement in enforcing a minimum number of hours of Canadian-made content is important for children of all ages including teens. Surprisingly, it is very important for teens to also have access to Canadian programming when making content decisions themselves.

36. The children of today are the consumers of tomorrow, and they expect the entertainment business of Canada to be aligned with their habits and their expectations. This includes access to quality Canadian programming on the device of their choice within a seamless experience. We cannot lose our Canadian identity but need to embrace it on a global scale.

Q8. Will new business models support a vibrant domestic content and distribution market? If so, which ones and why? If not, what content or distribution services would be missing?

37. The Canadian media industry, particularly the children's sector is world renowned. We submit that keeping a focus of maintaining a healthy media landscape in Canada with a global focus will allow for new business models to support a vibrant domestic content and distribution market.

38. While international partners are vital today for the sustainability of the Canadian content market, we believe new models can be established with these partners that add value, and not erode our Canadian market. However, if we rely on these partners such as Netflix to sustain our domestic content, there is danger that we will lose our Canadian uniqueness and identity.

Q9. What are the legislative, public policy or regulatory measures currently in place that will facilitate or hinder a vibrant domestic market? What needs to stay in place? What needs to change?

39. The change to the CIPF regulations pursuant to Broadcasting Policy CRTC 2016-343 allows for more flexibility and could be used as an example when investing interim solutions while the Broadcast Act is being reviewed. Being able to finance programs on any platform is critical to support producers while they adjust to the changing environment and this interim step would allow producers to continue to evolve while Government reviews its regulations and policies.

40. Today, producers are not able to meaningfully access other flexible sources of financing other than CIPFs to fulfill their financial needs especially when presenting new models. This is particularly evident in the children's sector where private broadcasters are not commissioning original Canadian content in a meaningful way, and public broadcasters are limited in what they can finance. It is our understanding that this reduction in commissioning has resulted in a material reduction of the amount of children's programming being eligible for the CMF, and as a result such moneys will be allocated to other genres based on the policies that surround the CMF Performance Envelope program. This valuable funding for children's content cannot be accessed by a producer without a broadcaster.

41. The limitation of the CIPFs to not be able to finance more than 10% of its funding for non-programming content as defined in Broadcasting Regulatory Policy CRTC 2016-343 was an unfortunate determination. Children today, Gen Z, expect their media experience to be seamless across all platforms and in various forms. The way consumers enjoy media is evolving, not just the hardware, but the "audio-visual" experience which is no longer as we know it. With the advent of Artificial Intelligence (AI), Virtual Reality (VR) and Augmented Reality (AR) such strict definitions limit the innovation and expansive creative expression of storytelling that consumers expect today and that Canada is known for. We submit that while this ruling has given the industry a step forward with its flexibility to finance for CIPFs, has also taken the industry three steps back with the digital ruling, particularly in respect to children's content.

42. Since 1999, the Rocket Fund has invested over $204 million into 803 audio-visual programs and associated digital media content for children, youth and families. We support programming in both official languages, as well as Indigenous and various minority languages, on all Canadian networks that air children's and youth programming with public and private broadcaster support split evenly. Through new guidelines, the Rocket Fund has maximized the CIPF policy under CRTC 2016-343 to support audio-visual programming on all platforms and providing a more flexible investment model for this very important sector which reflects changing times, while driving the discoverability of the programs that the Fund invests in so that they are enjoyed by children across Canada and abroad. Working with governments and regulators along with the industry, we are responsive to a changing environment and help ensure that the media experiences for Canadian children, youth and families are maximized.

43. We thank the Commission for the opportunity to comment on this very important matter on behalf of Canadian children that do not have a voice in such proceedings as well as the media sector that represents them.

Sincerely,

Agnes Augustin
President & CEO

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