

Canadian Media Producers Association

International Strategy 2014/15 – 2016/17

A. INTRODUCTION

The purpose of this three-year strategy is to generate and support activities that create and promote international co-production opportunities for the CMPA's membership, expand international market knowledge and strengthen links with offshore industry organizations looking to broaden their own international market reach and presence.

Every attempt will be made to ensure that the CMPA's international strategy is practical and will provide a real service to its members.

B. SECTOR OVERVIEW

1. Vision, mission statement, goals and objectives

The CMPA works on behalf of members to promote and stimulate the Canadian production industry. Its overall goal is to ensure the continued success of Canada's independent production sector and Canadian-made content in Canada and globally. We promote global possibilities by supporting Canadian media production companies in facilitating creative and profitable international business opportunities, including co-production partnerships.

The main objectives of CMPA's international activities for the next three years are to:

- a) Promote international production partnerships
- b) Expand international market knowledge
- c) Strengthen links with international industry stakeholders

2. Description of the industry and its importance for Canada

In 2015/16, the Canadian media production industry reached over \$7 billion in total volume of film and television production. During this same period:

- Export value in terms of the amount of foreign revenue collected by the production industry for sales reached \$3.2 billion
- Canada's production industry generated 148,500 full time jobs and \$118.5 billion in GDP for the Canadian economy

Co-productions continue to be critical in the international marketing area as international partners provide important links to foreign sales. In the last 10 years, Canada's screen content producers partnered in over 700 international co-productions totaling over \$5 billion. In 2014, the UK and France continued to be Canada's main co-production partners, with Australia, Germany and Ireland rounding out the list of main partners for the year. With the top two partners comprising 65% of total budgets, there is room to increase activity outside of these two countries - especially with those that share a common language and trading link – while further solidifying and diversifying business opportunities with the top partners.

3. International competitive position – unique selling attributes & competitive advantage(s)

Canadian production companies have forged an international reputation for delivering a level of unparalleled production expertise and service. Canada is also known for its particular strengths in computer animation and visual effects. As requirements for those technical services have grown in almost all production genres, Canadian companies are well-placed to deliver on these needs.

Despite the strength of the Canadian dollar over the past several years, the Canadian industry has held its position in serving the lucrative location market primarily for US producers. With the present exchange rate back at more traditional levels (and expected to remain there if not dip in level), the industry will again become more attractive to filmmakers based south of the border. On the other side of that coin, small Canadian production companies will find it more expensive to self-promote when it comes to mounting offshore productions. This represents a significant opportunity for the CMPA to support their efforts in whatever ways are most effective.

4. Progress made, accomplishments and lessons learned

Since January 2001, the CMPA has been active in the international arena, promoting the interests of its members by facilitating production possibilities and addressing any structural or policy issues which do not maximize co-production partnerships.

This focus has prompted the Association to be involved in the world's largest entertainment market and trade events in the entertainment industry, including the Cannes International Film Festival, NATPE, the Hong Kong International Film and TV Market, MIPCOM, Berlinale and MIPTV. The CMPA has also worked with government and private-sector partners to offer international missions to Australia, New Zealand, the US, Brazil, South Africa, South Korea, Singapore, Norway and others.

The successes of international market presence and trade missions have demonstrated that by bridging the business and logistical gaps between Canada and key foreign markets through missions, more production activity is generated, direct market intelligence is gathered and Canadian productions gain international visibility. Hundreds of new contacts have been created and member evaluation surveys have all reported positive business outcomes.

C. TARGET MARKETS

In the target markets identified below, the efforts of the CMPA are aimed at a range of international professional companies involved in all aspects of the filmmaking and digital production industries.

1. Established markets: Germany, Ireland, US, UK, Australia, Germany

Germany has a robust and diverse industry, with its screen content industry valued at CAD \$2.25 billion. The country has a highly developed infrastructure, as well as professional crews and cast. In addition, the country boasts a formal co-production incentive, administered by the German Federal Film Fund, which provides a grant of up to 20% for productions that spend at least 25% of their budget in Germany. Focus Germany, the country's umbrella organization for the major German film funding institutions, also provides valuable support to international co-production partners including every aspect of production from location research to post production. Since 2005, Canada partnered on 33 features with Germany.

This market has the ability to also act as a conduit for producers to access other European markets of interest, including the UK and France. The Berlin International Film Festival is the largest film festival in the world (by attendance): it features partnership-driven events such as the European Film Market and the Berlinale Co-Production Market where international producers, buyers, distributors and financiers are able to meet and conclude multi-million dollar business transactions.

Action:

Per our 2012/13-2014/15 international strategic plan, we led a mission to Berlinale in February 2015. Canadian producers were given the required tools to generate new co-production partnerships and sell existing content to Germany and Europe. A delegation of 12 Canadian production companies (SMEs) attended.

Ireland

Ireland's film and television industry offers a highly developed infrastructure, backed by consistent Irish government support, a competitive tax incentive and project funding. Ireland has co-produced with almost every European territory, as well as Canada, Australia and South Africa. It has a wealth of experienced co-producers across all forms of film, television, animation and digital media.

The audiovisual content production sector in Ireland is estimated to be worth in excess of CAD \$725.9M. The Irish Film Board (IFB) is the main funding body and is also charged with attracting productions to shoot in Ireland. Incoming shoots have included the Canada-Ireland co-production *The F Word*, and the Canada-Ireland TV show *Vikings* for History Channel US.

IFB figures for the industry show that production activity for the independent film, television drama and animation sector has reached the highest level on record, contributing over CAD \$235M into the Irish economy through employment creation and spend on local goods and services.

Section 481, the Irish tax incentive for TV and film, was recently extended to 2020 and further improvements to an already competitive incentive were introduced on January 1, 2015: the changes will increase the worth of Section 481 to 32% of a film's Irish spend — up from 28% currently — and precipitate a system change from investor-led funding to a tax credit.

Action:

Given the significant interest expressed by members, the CMPA and a number of Canadian industry partners led a highly successful mission to Dublin and London in the Fall of 2015.

US

The US, and specifically Hollywood, is considered the global entertainment and media capital. It is a movie mecca that generates over CAD \$667 billion in revenue that is expected to grow to over CAD \$802 billion over the next four years. The US industry is highly concentrated: the 50 largest companies account for about 70 percent of revenue; however, small companies can compete successfully by creating low budget movies for niche audiences.

Independent production companies are no longer limited to making and distributing documentaries and art-house projects. Once considered renegades, many companies of this type are now well-established and well-respected industry players. Continued concern over the economy, increased opportunities for new media distribution, the need for quality content at lower production costs, and limited financial risk have made independent film production an attractive business model. The affordability and accessibility of production technology has further democratized the marketplace for the independent production house.

Independent cinema in the US relies heavily on press reviews and media attention, particularly around the key talent of actors and directors. At present, there isn't a perception of Canadian cinema or a new generation of directors taking root in the public's consciousness to create energy and excitement around new Canadian films.

Given the challenge as detailed above regarding the lack of perceived identity of Canadian cinema within the US, it is important for the CMPA to band together with Canadian industry partners to maximize every opportunity for producers to galvanize and champion all Canadian content and Canadian-based creators in US programs, irrespective of financial investment in individual projects. In order for Canadian producers to take advantage of the co-venturing opportunities with the US and making inroads with Hollywood, they must know the inner workings of the US industry and gain direct access to financiers, broadcasters, packaging agents and casting agents.

Action:

CMPA intends on expanding its outreach to the US through partnerships with Canadian funding agencies and Telefilm Canada, as well as the Producers Guild of America, the American Film Market and contacts established through the LA Pre-Sale Pitch Sessions initiative.

UK

The UK television industry is a major international success story and a natural co-production partner for Canada. The UK produces thousands of hours of content each year to the tune of approximately CAD \$1.1 billion annually – much of which is exported overseas. Series such as *Downton Abbey*, *Spooks*, *Sherlock*, *Life on Mars* and *Doctor Who* have secured unprecedented success in the international arena, as have innovative formats such as *The X Factor*, *Masterchef*, *Who Wants to be a Millionaire*, *Strictly Come Dancing*, *Dancing on Ice* and *Top Gear*.

The UK broadcast landscape is constantly evolving. Financing the gap between license fees and production budgets, responding to the trends in media convergence and consumption, and meeting audience demands for more diverse content have paved the way for increasing collaboration - across genres, sector and international borders. The challenge of creating content volume that will appeal to a global audience for viewing on multi-screen devices is immense.

The UK has consistently been Canada's top or second co-producing partner of choice in the last 10 years. The UK Government has become increasingly supportive of the industry with improved lottery-sourced funding and tax concessions. Relaxation of the domestic (and by extension international project) certification process offers wider opportunities for international co-productions as they are now eligible for direct funding (approximately 25% of funded projects are international co-productions). An added incentive for continued market presence is the drop of the UK's corporate tax rate on April 1, 2014.

Action:

Given that the UK remains one of the top co-producing partners for Canada and the production, distributing and marketing landscape is always fluid and shifting, CMPA led an Ireland/UK mission in the Fall 2015.

Australia

The Australian screen content industry (exclusive of broadcaster in-house production) is worth approximately CAD \$2 billion, with generous production incentives that offset from 15-40% of production expenses. Total number of cinemas and admissions have been decreasing over the last 3 years, however, the number of digital screens have almost doubled since 2011.

The Screen Producers Association's (SPA) priorities include, among other things, increasing foreign engagement through strengthening regional partnerships, ratifying and supporting more official co-production agreements and securing greater in-bound production to help grow foreign investment, employment pathways and export opportunities. This has led to the signing in 2013 of an MOU between SPA and Canada to increase the flow of information and business opportunities between the Associations on behalf of their respective memberships.

Australia's reinvigorated interest in co-production, its attractive production incentives and its strong partnerships with the Asia-Pacific market create a bevy of potential business opportunities for Canadian producers. Its highly developed cinema circuits and good film festival tradition have the potential to create stronger demand for non-mainstream films.

Action:

CMPA intends on leading a delegation of Canadian producers to Australia in the Fall of 2017 to continue to explore networking and business-to-business meeting opportunities with Australian producers at key festival and market events, including Screen Producers Australia's Screen Forever annual conference.

2. Emerging markets: Latin America (Brazil, Mexico), India, China, Brazil

Since 1994, Brazil has enjoyed a degree of economic stability with a broad basis for industry's growth. Brazil has produced many critically acclaimed films in recent years. There are also successful co-productions between Brazil and other foreign partners. The Brazilian government considers film production an important industry and, as a result, a series of incentives to promote the local production of films and their distribution both locally and abroad have been introduced over the last few years.

The growth of film industry in Brazil can be illustrated by a number of national film festivals and events promoted by ANCINE (Brazilian Agency of Cinema) as well as by national hubs for the development of the cinema industry. Brazil has been encouraging filmmaking for many years. Last year, the Federal government issued "Screen Quota" (Decree 7.414), an initiative to foment national film production that imposes a minimum quota of films produced in Brazil to be regularly displayed in local movie theaters. This initiative may also be extended to international co-productions duly approved by ANCINE.

Mexico

With a GDP larger than most European countries, Mexico is an important emerging market for screen content production. The service sector in the country is enjoying consistent growth in gross national product and exports - and the film industry seems to be a solid contributor to climbing export levels. Currently, there are no specific tax laws regulating film financing and television programming in Mexico. A tax incentive to promote national film production was introduced in 2005 and modified in 2007 (this tax incentive has not been subject to any material changes to date). This incentive is available to all entities and individuals and consists of a tax credit equivalent to the amount invested in national cinematography projects against the income tax payable in that same year.

Action:

CMPA will continue to explore networking and business-to-business meeting opportunities with Latin American producers at key festival and market events, including Brazil's Rio Content Market and Mexico's Guadalajara Film Festival.

India

In 2014, Canada and India ratified an international audiovisual co-production treaty. As the largest producer of films in the world in terms of the number of projects, India is now coming onto the global film production scene. According to PricewaterhouseCoopers' *Indian Entertainment and Media Industry report*, India's E&M sector showed strong growth last year, with revenues rising from CAD \$15 billion CAD \$17.7 billion, a year-on-year increase of 20%. This growth was achieved in spite of a relative slowdown in the broader economy, underlining the resilience of the sector. It is expected to grow steadily over the next five years at a CAGR of 18% from 2012 to 2017. Home entertainment is booming (where the much lower cost of accessing audiences on DVD and VOD is a significant factor), especially with respect to animation and documentary content consumption.

India presents a number of opportunities for Canadian film, television and digital content producers that merit further exploration, including access to a solid talent pool at reduced costs, and access to private sector financing. Having a presence in the Indian market on a longer term and ongoing basis is vital for Canada to exploit these opportunities. Key industry trends include emerging sources of revenue, increased collaboration with international studios, the rise of 3D cinema, the advent of digital cinema and the growth of multiplexes.

Action:

CMPA will explore leading a mission to the Goa Film Bazaar or FICCI-Frames for further business-to-business meetings in 2017 or 2018. Until that time, additional research will be directed to the animation and documentary communities in Canada and India to further strengthen business opportunities and synergies between producers from both countries.

China

China hosts the third largest film industry in the world in terms of number of feature films produced annually. In 2013, its gross box office reached CAD \$4.25 billion, the second-largest film market in the world in terms of box office receipts. The country boasts over 5,000 theatres and 18,000 screens. Films have become central to Chinese courtship and consumption: its domestic box office grows by 20-30% annually.

While only 34 big-budget films and a handful of independent foreign ones are allowed into China each year, foreign producers are still looking to get a foothold into China to tap into the country's vast audience. China offers an enormous consumer market based on its large population and robust purchasing power. The country is also willing to pay for premium branded commodities and services, and is increasingly cognizant of the need to protect foreign intellectual property rights in the face of prevalent piracy issues.

Hong Kong has state of the art infrastructure in place, providing wide-range support to the industry, including film, television, music, design, comics and animation, games and other forms of digital entertainment. Its insularity from the rest of the world is fundamentally changing as more and more companies attend key events such as Hong Kong FILMART, looking for potential production partners.

Action:

CMPA will lead a delegation of 12 Canadian producers to Hong Kong FILMART in March 2017 with industry partners. As relationships within China develop slowly, CMPA will sustain outreach and research support for Canadian producers interested in this market for at least 3 years, to ensure that long term benefits are supported.

3. Markets on Radar: East European Countries (Hungary, Czech Republic, Poland), Nordic Countries (Finland, Norway, Sweden), South Africa

The CMPA will conduct exploratory meetings at major international events to gauge mutual interest in co-production with each of the above markets on the Canadian production industry's radar.

Hungary

In the past few years, the Hungarian film industry experienced dynamic development. In the spring of 2011, the Government decreed that a new motion picture company be established and a national strategy be created in order to rejuvenate the Hungarian film industry and settle any outstanding debts. As a result, the Hungarian National Film Fund was created, with a budget of almost CAD \$30 million. Since the creation of the Fund, there have been many Hungarian films in production, some of which were high budget international co-productions and Hungary has also hosted a number of international productions. Due to favorable legislative changes, significant investment in the infrastructure was made. In addition to the financial incentives available, Hungary also offers a sophisticated film production workforce, including many talented and acknowledged production personnel.

Czech Republic

The Czech Republic introduced its incentives program in 2010. Since then, the volume of foreign productions has increased steadily. Local films are especially popular with an impressive average market share of 20 - 24% over the past three years. With the highest average earnings in the former Eastern Europe, the Czech Republic is a well cabled and generally well developed television market with a competitive series of VOD packages, most of them linked to existing TV channels.

Poland

Poland has a well-subsidized and flourishing national production industry, releasing an average of 36 films a year. The State supports the film industry in Poland by providing public grants for film production, selected festivals and events, developing archives, education and professional training, as well as for promotion of the Polish film industry abroad. As such, there has been a rapid increase in the number of films being produced in Poland, as well as the number of foreign filmmakers interested in becoming involved in co-productions and other film services in Poland.

Finland

Finland has a fast-growing production service and post-production and VFX industry and it just recently established its film commission in Helsinki in the summer of 2013. International co-productions are eligible to receive support from the Finnish Film Foundation, however, no formal filming incentive has been introduced as yet.

Norway

Norway is a very prosperous country – the fourth richest in the world measured in GDP per capita – and has a healthy cinema sector with a strong tradition of art house distribution. The Norwegian distribution and exhibition market has remained fairly stable over the past five years. Attendance per capita has likewise changed by only a fraction over the same period.

Sweden

While Sweden's status as a major exporter of films to the international market has declined sharply since the 1980, there have been definite signs of improvement over the past three years: admissions to Swedish films up by 28 %, a strong market for children's films and an expanding home base for pan-Scandinavian giants such as Canal+ Sweden, Filmnet and Voddler.

South Africa

South Africa's industry has grown over 85% in the last 5 years and is now one of the top locations for film, television and commercials. While the country still needs to further develop the infrastructure to cater to the growing international demand, it offers expert crews and state of the art studios – especially in Durban and Johannesburg.

D. STRATEGIC PRIORITIES

The CMPA's international strategy is focused on providing assistance to its members in making sustainable offshore connections which lead to mutually successful co-productions. Through its international network and knowledge, CMPA staff is well-placed to contribute to this effort. Directly, and with government assistance where practical, interested members are assisted with establishing a range of contacts at all levels of filmmaking production in the international space.

As stated earlier, the main objectives of CMPA's international activities for the next three years are 1) to promote international production partnerships, 2) to expand international market knowledge and 3) to strengthen links with international industry stakeholders.

Actions in 2014/15 -2016/17 that will support these objectives include:

1. Leading Missions to Germany, Ireland/UK, Hong Kong, India and Australia. Once business relationships are made, they are cultivated outside of specific events. CMPA member survey results reveal that networking and one-on-one meeting opportunities generate a minimum of 50 contacts per mission participant, of which 25-50% may yield fruitful discussion and/or business results in the short and/or long term.

2. Coordinating CMPA presence at events like *Berlinale* to support producers and the Canada brand.
3. Establishing new partnerships, including negotiating reduction in registration fees at the *American Film Market, Reelscreen, Kidscreen, South by Southwest* and *When East Meets West*.
4. Working in partnership with Canadian industry stakeholders (e.g. Telefilm Canada, Canada Media Fund, EDC, provincial funding agencies) to provide greater visibility to Canada as a co-production destination of choice.
5. Assisting with access to foreign events, markets, workshops, training sessions and educational opportunities which are aimed at prospective co-production participants.
6. Providing information to members on foreign markets pertinent to financial support, technical capabilities and key organizations.

These actions help:

1. Increase interest from foreign producers, partners, buyers, financiers
2. Increase direct knowledge of foreign markets
3. Strengthen individual relationships with co-pro partners
4. Increase exposure to additional stakeholders/broadcasters, distributors
5. Increase export opportunities for SME clients
6. Improve country penetration for producers through mission contacts

In addition, the actions are instrumental in helping to open international doors for our industry, and boosting the economic impact of the production industry within the general Canadian economy.

As of December 12, 2016