

# Entertainment producers hail rights deal as "huge victory"

B.C.-based film and television producers see trade agreement as a way to regain leverage in negotiations with broadcasters, retain key international rights and build up new revenue streams



Rob Bromley, owner and partner of Force Four Entertainment: "[Terms of trade deal] sets us up for a long time to come"

By Jenny Wagler

Vancouver's beleaguered independent film and television producers are optimistic that their fortunes could soon change for the better as a new framework for deals with Canadian broadcasters goes into full effect this month.

The framework, kick-started by the Canadian Radio-television and Telecommunications Commission (CRTC), gives producers a standard set of rights to their productions when negotiating with broadcasters.

Producers previously had to secure whatever rights they could each time they negotiated with broadcasters.

"I think it's huge," said Rob Bromley, owner and partner at Vancouver-based production company Force Four Entertainment. "It sets us up for a long time to come."

The Canada Media Production Association (CMPA), representing independent producers,

hammered out the terms of trade agreement this spring with private broadcasters Astral Media Inc. (TSX: ACM.A, ACM.B), Corus Entertainment Inc. (TSX: CJR.B), BCE Inc. (TSX: BCE) subsidiary Bell Media, CTV, Rogers Communications Inc. (TSX: RCL.B) and Shaw Communications Inc.'s (TSX: SJR.B) television division, Shaw Media.

The deal has been phased in since June 1 and took full effect August 1.

The CMPA is now in talks with the Canadian Broadcasting Corp. for a similar deal. Its deadline is set for June 2012.

In Vancouver on a recent tour to explain the agreement to independent producers across Canada, CMPA president and CEO Norm Bolen told *Business in Vancouver* that the CMPA has been lobbying for a terms of trade deal for nearly a decade.

A similar deal in the United Kingdom helped revitalize the production sector in that country.

**"It enables us to take a little more control of our own projects, especially in terms of ancillary and international rights"**

- Alexandra Raffe, head of production, Thunderbird Films

"But we got nowhere because the broadcasters just ragged the puck."

In the last decade, Bolen said vertical integration of broadcasters has reduced market options

for producers, which has left them with less negotiating leverage and worse deals.

He added that the situation has degenerated dramatically for producers since he headed up programming for the former Alliance Atlantis Communications Inc. and launched the History Television channel in 1997.

"[Producers] would give me the show for three years, they would give me a limited number of plays and I would get it for one channel only: History Television."

Bolen noted that after the licence term expired, the producer could sell it to another broadcaster for an additional few years and then other broadcasters after that.

Vertical integration, he said, eliminated the multiple-window marketplace and the revenue that represented.

"Now, the broadcaster says, 'I want your program, but I actually want a seven- or eight- or 10- or 12-year licence for the same fee; I want unlimited plays and I want the right to play that on all of my channels - 30, if I want to, until I'm tired of that program - and then I also want the right to sublicense it to a competing company until they exhaust it.'"

Bolen said broadcasters have also increasingly been taking international rights and requiring producers to direct their tax credits into financing productions. That left producers with nothing to capitalize their businesses.

Their key change came about a year ago, when the CRTC directed broadcasters to negotiate a terms of trade deal with the CMPA or face having one imposed on them.

With negotiations wrapped up, Bolen said key gains for producers include:

- limited licence terms to allow a multiple-window market to redevelop;

- 25% of tax credits stay with producers to fund their businesses; and

- international rights stay exclusively with producers to allow them to develop further revenue streams abroad.

Bromley and Alexandra Raffe, head of production at Thunderbird Films Inc., said the agreement will help create more sustainable businesses for local producers.

"It enables us to take a little more control of the destiny of our own projects, especially in terms of ancillary and international rights," Raffe wrote in an email.

"It means we will not have to dig into our margins to subsidize production quite so often."

Bromley added that the agreement will provide planning clarity and predictability for producers - particularly around issues such as rights, which he said can provide a significant revenue source through international sales.

Bromley noted that Force Four's successful TV show *Cupcake Girls* has sold into more than 90 countries, providing "significant money" for the company to capitalize its business.

"The main thing terms of trade does is it allows us to build a business," Bromley said.

Hughes Mousseau, director of corporate communications for Astral Media, said the new deal would "bring heightened clarity and rigour to future negotiations and partnerships. ... [It] will further strengthen the Canadian production sector and ensure that opportunities are fully realized to everyone's benefit." ■

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## BRIEFS

### Government review blasts Hydro spending, recommends job cuts, reduced rate increase

A provincial government panel has suggested that BC Hydro cut more than 1,000 jobs to trim its costs and lessen the burden on taxpayers.

Last week, a review panel appointed by Energy Minister Rich Coleman delivered a host of recommendations to help the province's largest utility limit rate increases.

Hydro agreed to cut \$800 million in spending in an effort to limit rate increases in the next few years.

The panel was formed after Hydro announced plans to increase rates 32% over the next three years.

Hydro has agreed to limit the rate increase to 15.8% over the next three years.

"While there's a strong focus on being the best and reliability and service, there has not always been a strong focus on cost efficiency," Cheryl Wenezenki-Yolland, a panel member and acting deputy minister of advanced education, said of the utility.

During a press conference, she described BC Hydro as a very "siloe" organization with "a lot of duplication between departments."

The panel suggested the utility cut its job numbers to 4,800 from 5,868.

BC Hydro CEO Dave Cobb committed to slashing only 350 jobs.

"The number the panel has put forward I think is something that we will look at," he said.

"It is not necessary to get there to deliver this rate increase."

The panel also recommended that the utility reduce its overtime payments to employees, postpone office renovation work at its headquarters and revisit its capital project planning and spending initiatives, among other things.

"Hydro will go further than the recommendations to cut costs and manage their finances," Coleman said.

"This is the first step."

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