

**Canada Media Fund  
Industry Consultation 2015**

**Answers and comments on questions presented at CMF's 2015 Industry  
Consultation Sessions (September 9-October 30, 2015)**

**Comments by CBC/Radio-Canada  
November 6, 2015**

## I. Introduction and Summary

1. CBC\Radio-Canada welcomes the opportunity to take part in these discussions concerning the Canada Media Fund's future strategic direction. We recognize the merits of undertaking a visioning exercise to prepare for a changing environment, especially the challenges around discoverability of Canadian content and the need to keep Canadian audiences interested with the best content our talented and creative industry has to offer. CBC/Radio-Canada faces a similar challenge in implementing its 2020 Strategy, as we prepare for the digital age while maintaining our focus on high-quality, distinctive Canadian programs.
2. The Canada Media Fund is a crucial policy instrument which supports the creation of Canadian content. It is a key part of Canadian broadcasters' ability to make their expected contribution to the Canadian system, as defined by the *Broadcasting Act*.
3. In that regard, the Canada Media Fund has proven to be an effective instrument supporting the creation of captivating Canadian content designed for Canadian audiences, airing at times when the number of viewers is high, and produced in every region of the country by both public and private broadcasters. The programs supported by the Canada Media Fund thereby contribute to a strong culture and sense of Canadian identity.
4. Moreover, the funding mechanisms put in place by the Canada Media Fund have been proven to be both smart and efficient. Projects are judged on objective criteria and are chosen by broadcasters that have extensive knowledge on what content Canadian audiences want and need.
5. At the industry consultation, the Canada Media Fund (CMF) posed a series of questions. Here are our answers to the most pressing and critical questions. Since the exercise was somewhat hypothetical (as ultimately the Department of Canadian Heritage establishes the CMF's policy direction), our answers focus on overall direction.
6. Before getting into specifics, CBC/Radio-Canada wants to express the following concerns with the direction outlined by CMF:
  - Although the CMF is facing the challenge of finding new revenue opportunities, the thrust of its strategy should remain connected to policy and the *Broadcasting Act* objectives first and not aim at generating greater revenue (through the growth and sustainability verticals).
  - The proposed strategy seems to be geared to a post-broadcasting world. But we are not there yet, and the CMF should take broadcasting's continued predominance into

account in managing the transition to new ways of accessing content on multiple platforms.

- Although we recognize that discovering Canadian content in a sea of foreign programs continues to be a huge challenge in both markets, CMF strategy should continue to be connected to Canadian audiences and Canadian content.
- CMF's proposed new direction would result in fewer quality Canadian programs for Canadians.
- In managing the above-mentioned transition, the CMF must, for now, continue to emphasize its support for the creation of linear content which remains Canadians' preferred form of entertainment. Any support for technology and new production companies or creators (the emergence vertical) should be kept to a minimum.
- CMF must not insert new subjective criteria such as the concept of landmark content, which is a label that can only be determined "after the fact", which risks creating a lack of predictability and which gives the CMF, an administrative entity, a greater *de facto* role in selecting programming.
- In the English market, CMF's new direction favours more generic programming geared to international audiences over distinctly Canadian content for Canadian audiences.
- In the English market, favouring 'commercially successful' content will not deliver the additional revenues sought as recoupment would follow large distributor's advances which almost never fully recoup.
- In the French market, if no additional funds can be injected into the financing of bigger projects that can have a better chance to compete in the global market, CMF's new focus on programs for worldwide audiences (the growth vertical) would result in fewer French language productions for Canadians with associated lower advertising revenues.
- CMF's direction would disadvantage programming that reflects specific regional realities, stories and talents, one-off documentaries - all of which are often unsupported by private broadcasters as they have limited commercial potential.

## **II. The proposal for three strategy verticals and the concept of landmark content**

### **Are the three proposed verticals relevant?**

7. The three proposed verticals are not directed at the CMF's core function— to act as a Canadian content fund with a focus on Canadian audiences.
8. This shift towards industry-centred or financial objectives is a material change away from Canadian content for the taxpayers that fund CMF (directly or indirectly) and is of great concern to CBC/Radio-Canada.

9. The creation of Canadian television content for Canadian audiences is supported by public policies set by governments and the *Broadcasting Act*. Those policies are based on the premise that, without public support, the production of Canadian content is not economically feasible due to the size of our market.
10. Despite the upheavals of the last few years, this premise remains valid. In our opinion, the creation of Canadian content reflecting our Canadian identity and destined primarily for our markets must remain the Canada Media Fund's top priority.
11. Especially of concern are programs which are geared for Canadian audiences and are not foreign "market-driven" "with a high potential for commercial success and export" (such as *22 Minutes*; *Mercer*; *Still Standing*; *Keeping Canada Alive*; one off documentaries about Canada, Canadians and its history; Canadian performing arts programming). We are even more puzzled about how the export criteria could be applied in the French language market given that almost all of the French market programming has a demonstrated low export potential even though the programs are often very successful in the Canadian french speaking market <sup>1</sup>.
12. Moreover, when considering where to invest scarce financial resources, an enhanced focus should be placed on television native content (which would then be shared digitally when and where Canadians want to consume it) not on the emergence vertical or digital native content (supported in the growth vertical).
13. CMF funding for the production of interactive content has risen over the last five years while funding for linear television content has stagnated even though the average time spent with content supported through CMF's Experimental stream was 1:46 minutes<sup>2</sup>.
14. Television continues to be the favourite activity of Canadians, who watch nearly 27 hours a week.
15. What we are all witnessing today is an upheaval in television viewing, namely the platforms on which television native content is consumed, the manner in which it is consumed and the engagement that television native content elicits on social media platforms.

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<sup>1</sup> CMF's own records confirm that the overall recoupment level for CMF funded french language programming is less than 2%.

<sup>2</sup> Canada Media Fund 2014 annual report.

16. As a result, we believe that the CMF should pay greater attention and reserve a greater portion of its funding for television content to assist the industry in experimenting and adapting to ongoing changes to different windowing and scheduling strategies of TV native content (on both TV and digital platforms) in order to continue reaching Canadian audiences effectively.
17. The CMF's vision and its focus on the emergence, growth and sustainability of independent producers would require substantial changes to Canada Media Fund mechanisms since it would necessitate that CMF:
  - a. impose additional funding eligibility requirements tied to the content's commercial potential;
  - b. reduce or eliminate funding for content that has little or no such potential.;
  - c. act as an insurer for independent producers' evolution (even though no other creative industry business has that assurance); and
  - d. adopt new criteria unrelated to content quality which prioritizes "new" production companies, creators and formats over "old" production companies, creators and formats .
18. It is unclear how current CMF programs (such as French-language productions in minority-language settings, the Québec French and English Regional Production Incentives and the program for English-language production in minority-language situations) would fit into the 3 proposed verticals.
19. Inversely, according to the criteria provided, programs like the Experimental stream, for which most funding went to producing video games, could qualify for the growth vertical although, its capability to reflect who we are, by reason of its generic nature, is low.

### **What could be the shares of funding for each vertical?**

20. These verticals should be discarded in favour of new verticals which are culturally centred and which have Canadians audiences, and Canadian content, as their focus.

### **Is the increased focus on landmark content relevant?**

21. The increased focus on `landmark` content is not, in our opinion useful to define CMF's core vision even though we recognize that discovering Canadian content in a sea of foreign programs continues to be a huge challenge in both French and English markets.
22. Firstly, "Landmark content" is a characterization after the fact. It is much like telling people just to produce hits. A program is only recognized to be a hit (or "landmark") after it is produced and audiences flock to it.

23. Competition for Canadian audiences with high budget foreign programs has long been a pressing concern in the English market and has become more of a concern in the French market (where the budgets for programs are often much lower) and while more and more Francophones viewers are tuning in to foreign programming easily available on On demand services<sup>3</sup>. Programming and promotional strategies associated with content that demonstrates it has potential to be “landmark” is a wise and sound approach (which we endorse) after the fact but it should not be considered to be appropriate as the precondition for CMF funding eligibility.
24. Secondly, a focus on ‘landmark content’ also introduces subjective eligibility criteria with CMF as the entity which dictates what should qualify. Decisions on where scarce Canadian dollars should be spent should rather be made by the media player with the most experience with selecting content in which Canadian audiences are interested – the broadcasters.
25. The strength of the Canada Media Fund’s current system is its automatic character, based on objective criteria which are clear to all stakeholders and which ensure a high level of predictability.
26. We should remember that the CMF is already dealing with interpretation issues in connection with the definition of “documentary,” “variety program” and “rich and substantial digital media component”, a situation that often leads to uncertainty regarding project eligibility.
27. Including the “landmark” concept as an eligibility requirement would accordingly make the system more complex.
28. Thirdly, this concept of landmark content inevitably pits quantity against quality given the limited financial resources available in a market the size of Canada.
29. In both the French-language market and the English-language market a volume-centred approach is still preferable.

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<sup>3</sup> in this regard, recent study published by MTM about francophone’s use of English language TV shows that 4 francophones out of 10 watch English language television on a weekly basis and are also more likely to watch online TV, particularly with the younger adults. Source: Media technology Monitor (MTM) Francophone’s use of English language TV and Film, October 15th 2015

30. The United States is the most successful cultural content market in the world. It succeeds not by choosing only to make “hits” or “landmark content” but by sustaining a significant volume of production from which hits (or landmark content) can germinate. The market in Canada needs to take the same approach.
31. No one knows for certain what shows may grow and build with audiences. Based on the “Landmark” definition, the first season of popular shows like *Heartland* would likely not be funded.
32. In the French market, a large portion of the advertising revenues for conventional television is related to a critical mass of Canadian content. That critical mass also generates substantial benefits for the performance envelopes of the Canada media Fund, which gauges success by the **total** number of viewing hours. Those financial benefits go towards funding new programs the following year.
33. Given the important financial consequences associated with the decision to focus funding on a smaller number of programs in favour of bigger and more costly projects that could be more attractive for the global market, we believe that the decision related to focus on «landmark » content is a strategic programming decision that should be left to broadcasters rather than an industry-related strategic decision to be adopted by the CMF.
34. The CMF suggests that better capitalization of production companies will result in increased volume and quality of Canadian production. This suggestion is false for the following reasons:
  - a. CMPA has made it clear that they feel that production companies should not be compelled to invest in their own programs.
  - b. Nothing is being made without a triggering broadcast license.

Rather, the volume and quality of Canadian productions will only increase if the broadcast and public funding systems such as CMF are able to be capitalized as those are the parties that are driving production.

35. Finally CMF has indicated a preference to support projects that will be commercially successful: presumably because CMF wants to increase recoupment. This will not happen with “commercially successful” projects - in fact, the opposite will occur. The projects that can be financed with the highest budgets are almost invariably going to have a significant distribution advance and/or US presale in the structure. Very very few of these projects have any CMF equity in the financing. Of those with CMF equity, very very few ever see recoupment of the distribution advance. CMF should conduct an analysis of

how "commercially successful" projects fare in terms of recoupment before assuming they will make CMF money.

### **III. Linear content and interactive content: What are the Canada Media Fund's priorities?**

#### **Should the CMF support linear online content, including webseries?**

36. We believe that the CMF should provide more support for linear webseries as part of the financing granted through the CMF's Experimental stream.
37. According to the MTM study published by CBC/Radio-Canada in April 2015, viewing online videos is one of the most popular online activities, after research and emailing. According to the study's findings, 7 out of 10 Francophones and 8 out of 10 Anglophones watch online videos, and 42% of the Francophones and 47% of Anglophones surveyed reported watching online television.<sup>4</sup> In addition, the time Canadians spend watching videos on the Web is climbing and stands at nearly six hours a week (for francophones) and eight hours a week (for anglophones). YouTube is currently the top source for Canadians in both linguistic markets who watch video content.
38. Original linear webseries offer the following advantages:
  - provide culture and identity-building Canadian content in the face of an overabundance of foreign content, especially for Francophones;
  - develop the next generation of drama writers, directors, actors and producers; and
  - for the general public, facilitate the transition to interactive user experiences.
39. By borrowing from drama writing styles, this non-interactive content is able to reach greater audiences than those that have adopted new interactivity-related behaviours which are generally observed amongst the younger age groups.

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<sup>4</sup> Source: Media Technology Monitor (MTM), CBC/Radio-Canada, *Viewing of Streaming Video Content, English-Language and French-language Market Analysis*, posted on April 8, 2015. Online video content includes the following activities: viewing videos on YouTube, viewing television programs, watching news broadcasts, watching sports news or sports events, and watching movies or other types of online video content such as Netflix. Francophones and Anglophones 18 and older.

### **If so, what are the current gaps in funding such content and what could the CMF focus its support on?**

40. Interactivity and the focus on the profitability of business models required under the Experimental stream are major obstacles to funding original webseries. The interactivity requirement for webseries limits them to niche audiences which in return makes them less commercially attractive.

### **If so, what additional triggers would be required for such content (market validation)?**

41. We are of the opinion that triggers for such content must be supported by regulated Canadian marketing partners, such as broadcasters and distribution undertakings which have regulatory obligations to contribute to the Canadian system either to exhibit Canadian content or to contribute to the financing of Canadian content.

### **Should the CMF continue to support enabling Tech Initiatives?**

42. In our opinion, the CMF's main focus should remain as a content fund. Support for technology initiatives should be kept to a minimum and not detract from its primary *raison d'être*.
43. There are other subsidies and supports for technology such as the generous Scientific Research and Experimental Development program (\$4 billion annually).

## **IV. Funding mechanisms in support of production companies**

### **Would it be relevant for the CMF to consider forms of corporate financing based on potential revenue generation and market success of the content?**

44. Under the current system, broadcasters serve as triggers and, thanks to their preferential position vis-à-vis audiences, are able to ascertain the market's needs.

45. Given the limited resources available, we are concerned about the CMF's suggestion to allocate a portion of the available funding directly to independent producers.
46. This proposal would only benefit a very small number of production companies that have, over the last 20 years and with no assistance from the Canada Media Fund, succeeded in becoming large and profitable production and distribution companies that maintain rewarding relationships with most of the country's broadcasters. A number of these production companies operate worldwide and have more annual revenue than the broadcasters they work with. Some of these production companies are also broadcasters themselves.
47. The idea of focusing a portion of funding resources on certain companies raises more questions than it answers including:
  - What is the goal of this initiative?
  - What problem is the Canada Media Fund attempting to resolve?
  - What is the data or evidence supporting the idea that the independent production sector is in need of further capitalization/sustainability?
  - How can we ensure an equitable allocation of the funding provided by the Canada Media Fund to allow for the execution of projects amongst a group of broadcasters that are competing with one another?
  - How can we ensure funding is allocated to all genres, and all regions, in light of the fact that some companies are active in a single genre or a single region?
  - Above all, how does this benefit Canadian audiences?
48. Making broadcasters responsible for managing performance envelopes has the advantage of benefiting a greater number of companies than corporate financing would.
49. Envelopes are also managed by broadcasters in such a fashion as to ensure maximum future programs are generated. In return, a significant number of producers benefit the following year. In a situation where corporate funding is allocated to specific production companies, the same results would not be achievable if the funding was determined by a company whose interests are exclusively corporate and self-interested.
50. In our view, the Canada Media Fund funding system must continue to be based on market validation, with the broadcaster acting as the trigger.

51. Broadcasters have a direct connection with audiences and are in a privileged position positioned to identify Canadian audience tastes and determine how to meet their expectations. In addition, broadcasters must meet certain regulatory requirements that help ensure their choices and priorities come from a broad variety of sources in a variety of genres. This preserves a range of voices and ensures that projects are funded according to their creative promise, no matter who the instigator is.
  
52. A healthy production sector is only possible if the broadcast sector (which currently supports 20-50% of the budgets) is also capitalized and empowered to support Canadian content. In light of fragmented audiences, rather than undermining broadcasters by offering support to YouTube content or producer slates, the CMF should adapt its policy to support long term stability of funding for production by:
  - a. continuing to support a strong broadcast sector through consistent multi-year performance envelope funding; and
  - b. buttressing broadcasters' ability to exploit content on whatever platform is in the best interest of generating audience success. As such, we would recommend the CMF allow CRTC licensed "broadcasters" to gain rights in Canada for the triggering license fee including digital rights, not always be obliged to take the first telecast on the traditional TV platform, and drop the use/lose it requirement.

**Would it be relevant for the CMF to allow certain production companies to submit slates of projects in development or production?**

53. We refer you to our answer to the preceding question.
  
54. In our view, creating a funding method exclusively for certain production companies increases complexity, does not provide any guarantees of fair access to broadcasters who want to support project development but who are competing with one another in a competitive market, does not foster a diversity of voices, and would result in less Canadian content for Canadian audiences.

**V. Support for the export of Canadian content**

## **Would it be relevant for the CMF to implement programs specifically targeting the export of Canadian content?**

55. In light of the economic realities of French-language production, it is nearly impossible to find new sources of funding that would make it possible for fiction projects to increase either the number of episodes or level of production budgets to approach national and international standards. The possibility of improving funding conditions is a prerequisite for any initiative aimed at supporting the export of French-language products more effectively.
56. We wish to suggest a few measures for your consideration that should enhance the ability of French language Canadian content to compete with foreign content shown in Canada and which would facilitate the export of French-language content:
- launch an initiative to fund dramas for which estimates exceed \$700,000/hour;
  - provide financial assistance for the production of a pilot in the English language (based on an original French-language drama series) triggered by the French Canadian broadcaster that can then be used as a “calling card” to interest other broadcasters in Canada and around the world to pick up the show for the production of an original English version of the series. The pilot could be made at the same time of the original French language series. The CMF should recognize the French Canadian broadcaster’s contribution to the pilot production as an equity investment.
57. In the English market – in the face of shrinking resources – CMF should focus on Canadian content for Canadian audiences (which is the hardest to finance) not content made for sale for foreign audiences. While it is true that some of this high calibre Canadian-audience focussed content will sell well internationally, international sales should be the happy byproduct not the primary goal.

## **VI. Role of the CMF in exploiting catalogues of Canadian content**

### **Would it be relevant for the CMF to support the revitalization of high potential catalogues of Canadian content?**

58. The role of the CMF is not to take the place of the market. Several opportunities to revitalize the catalogue of Canadian content already exist whether through specialty channels or subscription-based on-demand platforms or digital catch up services.

**Would a presence on YouTube give small and mid-size Canadian content creators greater leverage and positioning, simplify rights management and help rights holders maximize financial returns?**

59. The market itself is developing business strategies to derive value from and monetize content for YouTube or claim content that has been illegally posted. Undermining the broadcasters' exclusivity to the content by allowing producers to maintain a presence on YouTube would erode the stability of the ecosystem, not enhance it.
60. Broadcasters are intimately aware of viewers' interest/platforms and are investing more on new hardware and software to fish where the fish are in the YouTube space and in other digital arenas. The large companies are actively buying/launching digital services (like *Crave Shomi and Club Illico*) for this very reason. Radio-Canada is deploying considerable efforts with its new subscription tier service on TOU.TV called TOU.TV Extra. Also we are currently starting to launch, on an experimental basis, youtube channels for some of our programs.

**Conclusion**

61. CBC/Radio-Canada wishes to thank the Canada Media Fund for this opportunity to comment on its proposals and remains at its disposal to pursue discussions as the thinking advances.