

**CANADA MEDIA FUND**

**Performance Envelopes Working Group**

**Date: October 2, 2013**

**Objective:**

To examine the validity of the Performance Envelope system in its present form.

**Background**

The Performance Envelope (PE) Program, introduced in 2004-2005 as the Broadcaster Performance Envelope (BPE) Program, is a major funding mechanism at the CMF.

2013 is the 10<sup>th</sup> anniversary of the envelope system. Given consolidation, vertical integration and other developments in the industry over the past 10 years, an examination of the program in support of the mandate and objectives of the CMF is warranted. Appendix A encapsulates a brief history of the PE and BPE systems.

The budget for the PE program as a share of CMF's program budget has been reduced since 2010-2011, the launch year for the CMF, in both linguistic markets, from 89.1% to 82.6% in English and 85.4% to 81.7% in French (see table in Appendix B).

The reduction in the percentage of funding allocated to the PE program is attributable to the introduction of new programs such as the Convergent Digital Media Incentive (CDMI) in both linguistic markets since 2011-2012, and in the English market, the English Production Incentive (EPI), the POV Program as well as the Anglophone Minority Incentive. These programs were created to assist in achieving all aspects of the CMF mandate.

As a result, the CMF wishes to examine if the PE program should now be solely based on audience success.

**Review of the relevance and efficacy of the Performance Envelope system**

With the exception of the national public broadcaster, broadcasters that are not vertically integrated with a cable or DTH distributor, that do not have a variety of channels, or lack national distribution, participate on an extremely limited scale in the two audience success factors. Given their comparatively smaller financial resources, these independent broadcasters have often provided licence fees to trigger projects in factors other than audience success in order to try to maintain and/or grow their PE allocations.

Given these differences and to maintain diversity of voices, a key CMF strategic objective, an equitable level of support to these independent broadcasters is at question. The chart in Appendix C illustrates the amount and percent share of PE allocations by broadcaster group for the 4 years 2010-2011 to 2013-2014. English independents have received an average of 7.3% of PE allocations; their share range in the 4 years was between 5.6% and 9.6%.

In the French market, independents including Télé-Québec have received an average of 18.1%; their share range in the 4 year period was between 14.4% and 22.0%. Excluding Télé-Québec, the average was 8.5%; their share range during the same 4 year period was between 5.1% and 11.3%.

The Independent broadcasters are considered by producers and funding agencies to be extremely critical to the support of content in the regions. Any regional support mechanism that would be introduced as a substitute for the regional licensing performance factor should take this fact into consideration.

Appendix D depicts, by broadcaster group, the % share of PE allocation against the % share in all performance factors. For the 4 most recent years between 2010-2011 and 2013-2014, the % share of PE allocation has been compared to the % share attained in the AS-THT, AS-OFR, and the combined AS factors, as well as the Historic Performance (HP), Regional, Above-threshold (AT), and Digital Media Investment (DMI) factors.

Other items being discussed for 2014-2015 PEs include:

1. Increasing the value of AS-OFR and decreasing the value of AS-THT to give greater weight to original programming versus repeats
2. The minimum rich & substantial digital media content commitment obligation.
3. The effectiveness of the regional factor weight in the PE system and potential alternatives.

The table below illustrates the PE factors and weights used in the 2013-2014 PE allocation; for PE factors and weights prior to 2013-2014, please refer to Appendix E.

**2013-2014 PE factors**

All Genres	English Envelopes (% weight)	French Envelopes (% weight)
Audience Success – Total Hours Tuned	40	40
Audience Success – Original First Run	15	15
Historic Performance	15	25
Regional Production Licences	20	10
Digital Media Investment	10	10
Total PE	100	100

The CMF has committed to monitoring several changes that were made beginning in the first year of the CMF program, one of these being 50% flex and another being the in-house/broadcaster-affiliated production cap at 15%. The results of this ongoing monitoring are included in Appendix F. While there have been some year-over-year fluctuations among the 4 genres, there has been no significant variance between CMF’s genre share targets and the genre share in actual commitments. In-house and BA commitments ranged between 2 to 6 percent in English and below 5% in French over the recent three years.

**Recap of changes made to the PE system for 2013-2014 allocations**

- o Performance Envelopes are now distributed by corporate group (when applicable). This has eliminated the need for transfer forms and simplified the overall process.
- o The audience success – total hours tuned (AS-THT) factor has been increased by 5% in French PE calculations, with a matching reduction in the above threshold factor. This has meant the elimination of the above threshold factor in French PE calculations, bringing them in line with English audience success calculations.

- As of 2013-2014 envelope calculations, licences and funding toward Convergent Digital Media Incentive (CDMI) projects count in the Digital Media Investment performance factor.
- Independent broadcasters or corporate groups with less than \$2.5 million (up from \$2 million in 2012-2013) in combined allocations in English and French were granted 100% flexibility in genre spending, removal of their 2ER documentary cap, as well as removal of the in-house and affiliated programming spending cap.

### **1. Increasing the value of AS-OFR and decreasing the value of AS-THT to give greater standing to original programming versus repeats**

The CMF has been asked to consider whether THT remains an appropriate metric to reward broadcasters for audience success. An argument is being made that the consolidation of broadcast entities would translate into fewer hours of original programs, resulting in the airing of more repeat episodes in the English market, since conventional broadcasters could schedule re-runs on their specialty assets to bolster their volume of AS-THT stats. Should the CMF place a further emphasis on the AS-OFR factor by increasing its weight at the expense of AS-THT in an effort to encourage more original programming?

Please refer to Appendix G for an analysis of the value of first run airings in AS-THT and AS-OFR credit in the most recent 2 years (2012-2013 and 2013-2014) of PE allocation, by language and genre.

The viewing hours that qualify in the AS-OFR factor earn PE allocations in the AS-THT factor as well, thereby, boosting its % share in the sum of the two audience success factors combined. In the English C&Y genre, OFR hours tuned comprised 8.3% of AS Total Hours Tuned whereas the genre earned a 33.3% share of the PE budget from the two AS factors combined, or 4 times its unit value compared to the value of the hours tuned to a repeat airing. The 15% OFR factor weight allowed viewing hours to first run airings to earn 55% of all audience success dollars in drama, 73% in VAPA, and 43% in docs, in 2013-2014 PE calculations.

In the 2013-2014 French market PE calculations, the 15% OFR factor weight allowed viewing hours to first run airings to earn 84% of all audience success dollars in drama, 78% in VAPA, 54% in one-off docs, 52% in series docs, and 46% in C&Y.

The data suggests that the weight of 15% in the OFR factor allows viewing hours from first run airings to garner a significant share of the overall audience success factor, far above their share of total hours tuned. The results of this analysis suggest that an incentive is already in place, within PE calculations, for broadcasters to trigger original programming.

There is value in repeat airings of CMF projects in terms of providing Canadian viewers with more opportunities to view these projects at a time of their choosing so that they can be seen by the largest number of Canadian viewers. The concept of consuming CMF-funded content anytime, anywhere, suggests that each episode of fresh television content needs additional opportunities for exhibition and exploitation on a multitude of channels, beyond fulfilling CMF's requirement of scheduling the program in peak-viewing hours within 18 months of the project's completion and delivery.

A separate document on this issue prepared by CBC/Radio-Canada is also available on the CMF web site for discussion at the Working Group.

### **2. Minimum rich & substantial digital content commitment obligation**

As discussed more fully in the focus groups across the country, the CMF is seeking stakeholders' views on the CMF's current, dual stream policy architecture, including the current convergence requirements. At present, broadcasters must allocate a minimum of 60% of their envelope on projects with rich & substantial digital media components.

The 60% minimum rich & substantial digital media criterion has been exceeded overall, since 2010-2011, in both linguistic markets. In the recent 2 years of 2011-2012 and 2012-2013 in the English market, the level achieved was at 74% and 76%, respectively. In the French market, the 2011-2012 and 2012-2013 levels were at 71% and 79% respectively (refer to Appendix H).

In the focus group sessions, the CMF has asked the following questions:

- Is the requirement for value-added content the best way to support convergence?
- Is the 60% envelope spending requirement on projects with DM components still appropriate? Should it be adapted by genre or by type of production, i.e. one-offs vs. series?
- Should CMF consider other activities or expenditures for purposes of qualifying a project as convergent?

### 3. Mechanisms to encourage and incentivize regional production activities

As discussed more fully in the focus groups across the country, the CMF is seeking stakeholders' views on the CMF's current level of support to regional development and production, as well as the effectiveness of the various mechanisms employed to provide this support. In particular, the following questions have been asked:

- Are all programs and incentives currently in place to support regional projects equally effective?
- Should new approaches be considered?

Alternatives discussed to-date include removal of the Regional Licensing factor, currently at 20% weight in the 2013-2014 English-language market and 10% weight in the French-language market, from the 2014-2015 envelopes, as well as eliminating the English Production Incentive (EPI) program, to introduce a bonus incentive program. The upcoming Working Group session, which focuses on Regional support, will provide a more appropriate venue to explore the various options.

CMF's funding support in the regions has been growing consistently since 2010-2011, climbing to 44% in 2012-2013.

The table below depicts the recent 3 years of CMF commitments to regional funding support:

CMF commitments to Regional funding	English-language (\$M)	% of CMF Production Funding	French-language (\$M)	% of CMF Production Funding
2010-2011	69.1	37	17.6	18
2011-2012	72.5	36	16.4	16
2012-2013	91.3	44	16.5	16

Appendix I illustrates the monetary value of the Regional Licensing factor in English and French, at 20% and 10%, respectively, within the annual PE budget, as well as the aggregate amount of broadcasters' regional licence fees contribution in order to earn this factor credit.

## **APPENDIX A**

### **Brief History of Performance Envelopes**

The Broadcaster Performance Envelope (BPE) program was established in 2004-2005, subsequent to broad stakeholder consultations, to replace the previous selective system. BPEs were allocated to broadcasters prior to the start of each CMF funding year. This timing allows broadcasters to make plans for the upcoming year, select the specific projects they are interested in triggering, as well as determine the varying amounts of CMF contributions to be allocated to each project on the list, at their own discretion.

The envelope system affords producers and broadcasters the ability to do advance planning. Broadcasters commit funds to projects from the CMF envelope to supplement their cash licence fees. CMF envelope funds facilitate the completion of the projects' financing structure for producers. Since broadcasters would be most familiar with the type of programs that appeal to their viewers, they were considered better suited to partner with producers in content creation. The performance envelope system was envisioned as more responsive to market forces than previously adopted CTF selection methods, while providing more predictability in application approval. Performance is the basis for envelope allocation, the amount for each broadcaster being calculated according to several performance factors. The performance envelope factors and their weights have evolved over the years to address the CMF's mandate and strategic objectives.

To deliver to its diversity mandate, a new entrant broadcaster category has been established since 2012-2013. Further, independent broadcaster groups receiving less than \$2.5 million of PE allocations have been granted additional flexibility such as exemption to genre spending limits.

**APPENDIX B**

PE Program Budget as a % share of CMF's Program Budget (2010-2011 through 2013-2014)

CTF/CMF Program Budget* (\$K)	English-language		French-language	
	Total	BPE	Total	BPE
2009-2010	217,667	194,000	108,833	91,225
BPE % of Program Budget		89.1		83.8
2010-2011	210,333	187,333	105,167	89,825
PE % of Convergent Budget		89.1		85.4
2011-2012	218,667	189,000	109,333	90,042
PE % of Convergent Budget		86.4		82.4
2012-2013	218,679	181,679	109,321	89,264
PE % of Convergent Budget		83.1		81.7
2013-2014	209,932	173,332	104,948	85,694
PE % of Convergent Budget		82.6		81.7

\* Concurrent with the launch of the CMF in 2010-2011, when convergence became an integral part of the CMF mandate, and the introduction of the Experimental Stream, the Program Budget between 2010-2011 and 2013-2014 shown above reflects the Convergent Stream Program Budget only; commencing with the CMF launch, the BPE became the PE.

## APPENDIX C

### PE Allocation by English-language Broadcaster Group - Amounts and Percent Share

English-language	PE (\$K)				Total PE Share (%)				Share Point Variance versus Year Ago		
	10-11	11-12	12-13	13-14	10-11	11-12	12-13	13-14	11-12	12-13	13-14
Large Broadcaster Groups											
CBC	65,525	62,918	62,177	58,141	35.0	33.3	34.2	33.5	-1.7	0.9	-0.7
Bell Media	41,929	39,866	33,335	33,510	22.4	21.1	18.4	19.3	-1.3	-2.7	0.9
Corus	27,729	31,115	28,729	27,702	14.8	16.5	15.8	16.0	1.7	-0.7	0.2
Shaw Media	29,188	31,310	29,456	27,340	15.6	16.6	16.2	15.8	1.0	-0.4	-0.4
Rogers Media	4,654	4,936	5,902	9,712	2.5	2.6	3.2	5.6	0.1	0.6	2.4
Trustee	7,765	5,508	4,690	4,679	4.1	2.9	2.6	2.7	-1.2	-0.3	0.1
Quebecor	64	0	0	0	0.1	0	0	0	-0.1	0.0	0
Total Large Broadcaster Groups	176,854	175,653	164,289	161,084	94.4	93.0	90.4	92.9	-1.4	-2.6	2.5
Total Independent Broadcaster Groups	10,478	13,347	17,390	12,248	5.6	7.0	9.6	7.1	1.4	2.6	-2.5
<b>TOTAL PE</b>	<b>187,332</b>	<b>189,000</b>	<b>181,679</b>	<b>173,332</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>0</b>	<b>0</b>	<b>0</b>
Value of 1 Share Point (\$K)					1,873	1,890	1,817	1,733			
Independent Broadcaster Groups:											
APTN (English)	5,968	8,070	8,828	4,050	3.2	4.3	4.9	2.4	1.1	0.6	-2.5
TVO	1,830	1,409	2,428	2,482	1.0	0.7	1.3	1.4	-0.3	0.6	0.1
Blue Ant Media	241	584	1,683	2,264	0.1	0.3	0.9	1.3	0.2	0.6	0.4
Stornoway	627	1,379	1,136	1,130	0.3	0.7	0.6	0.7	0.4	-0.1	0.1
Knowledge	854	849	1,431	970	0.5	0.4	0.8	0.6	-0.1	0.4	-0.2
Allarco (Super Channel)	101	51	677	607	0.1	0.1	0.4	0.4	0.0	0.3	0
ZoomerMedia	855	998	1,005	415	0.5	0.5	0.6	0.3	0.0	0.1	-0.3
Afroglobal Network		0	0	30	0	0	0	0	0	0	0
Channel Zero		0	50	50	0	0	0	0	0	0	0
CTS		7	102	50	0	0	0.1	0	0	0.1	-0.1
Ethnic Channels Group		0	0	50	0	0	0	0	0	0	0
New Tang Dynasty TV		0	0	50	0	0	0	0	0	0	0
OUTtv	2	0	50	50	0	0	0	0	0	0	0
Weather Network		0	0	50	0	0	0	0	0	0	0

Note: Assets that are being divested in the sale of Astral are shown under Trustee: Family  
Assets included in Bell Media: The Movie Network, Disney XD  
Assets included in Corus: Teletoon  
Blue Ant reflects consolidation of GlassBox and High Fidelity HDTV Inc.

## APPENDIX C

### PE Allocation by French-language Broadcaster Group - Amounts and Percent Share

French-language	PE (\$K)				Total PE Share (%)				Share Point Variance versus Year Ago		
	10-11	11-12	12-13	13-14	10-11	11-12	12-13	13-14	11-12	12-13	13-14
Large Broadcaster Groups											
Radio-Canada	33,309	34,046	36,305	32,715	37.1	37.8	40.6	38.2	0.7	2.8	-2.4
Quebecor	18,571	20,839	17,959	22,067	20.7	23.1	20.1	25.7	2.4	-3.0	5.6
Bell Media	12,058	13,654	12,471	12,407	13.4	15.2	14.0	14.5	1.8	-1.2	0.5
Corus	5,372	5,105	5,409	5,769	6.0	5.7	6.1	6.7	-0.3	0.4	0.6
Trustee	707	665	532	400	0.8	0.7	0.6	0.5	-0.1	-0.1	-0.1
Total Large Broadcaster Groups	70,017	74,309	72,676	73,358	78.0	82.5	81.4	85.6	4.5	-1.1	4.2
Total Independent Broadcaster Groups	19,808	15,733	16,588	12,336	22.0	17.5	18.6	14.4	-4.5	1.1	-4.2
<b>TOTAL PE</b>	<b>89,825</b>	<b>90,042</b>	<b>89,264</b>	<b>85,694</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>0</b>	<b>0</b>	<b>0</b>
Value of 1 Share Point (\$K)					898	900	893	857			

#### Independent Broadcaster Groups:

Télé-Québec	9,627	8,102	8,410	7,992	10.7	9.0	9.4	9.3	-1.7	0.4	-0.1
TFO	3,867	3,175	3,965	1,426	4.3	3.6	4.4	1.7	-0.7	0.8	-2.7
TV5	993	1,177	1,364	1,312	1.1	1.3	1.5	1.5	0.2	0.2	0
V Interactions Inc.	3,869	1,997	1,874	963	4.3	2.2	2.1	1.1	-2.1	-0.1	-1
APTN français	1,422	1,282	875	517	1.5	1.4	1.0	0.6	-0.1	-0.4	-0.4
Canal Savoir	0	0	50	56	0	0	0.1	0.1	0.0	0.1	0
Canal Serdy	30	0	50	50	0	0	0.1	0.1	0.0	0.1	0
Afroglobal Network	0	0	0	20	0	0	0	0	0	0	0

Note: Assets that are being divested in the sale of Astral are shown under Trustee: MusiquePlus, MusiMax

Assets included in Bell Media: Canal D, Canal Vie, Disney Junior, Super Écran, VRAK, Ztélé

Assets included in Corus: Teletoon, Historia, Séries+



**APPENDIX D**

2010-2011 through 2013-2014 PE Factor Share Comparison by Broadcaster Group - Independent Broadcaster Group is presented as one grouping

English	2010-2011					2011-2012								2012-2013							2013-2014							
	PE \$	AS	HP	Regional	AT	PE \$	THT	OFR*	Total AS	HP	Regional	AT	DMI	PE \$	THT	OFR	Total AS	HP	Regional	DMI	PE \$	THT	OFR	Total AS	HP	Regional	DMI	
Factor Weight %	100	40	30	20	10	100	40	15	55	15	20	5	5	100	40	15	55	15	20	10	100	40	15	55	15	20	10	
Broadcaster Groups	% Share	% Share	% Share	% Share	% Share	% Share	% Share	% Share	% Share	% Share	% Share	% Share	% Share	% Share	% Share	% Share	% Share	% Share	% Share	% Share	% Share	% Share	% Share	% Share	% Share	% Share	% Share	% Share
CBC	35.0	27.6	37.8	39.5	46.8	33.3	26.3	55.1	31.3	37.7	39.8	27.3	22.0	34.2	28.6	34.0	30.0	36.2	50.2	22.4	33.5	23.4	32.2	25.9	34.8	46.5	48.7	
Bell Media	22.4	29.6	20.4	16.1	12.1	21.1	28.2	28.1	28.2	19.5	6.1	18.7	9.5	18.4	21.7	18.8	20.9	19.7	12.4	14.3	19.3	26.9	20.7	25.2	21.0	10.8	1.9	
Corus	14.8	14.9	16.7	13.7	11.3	16.5	17.9	0.5	14.9	15.9	20.1	25.3	12.2	15.8	17.1	15.0	16.5	15.7	14.3	15.4	16.0	17.3	16.6	17.1	14.9	17.3	8.8	
Shaw Media	15.6	16.9	16.7	13.1	12.3	16.6	17.5	13.7	16.8	16.9	16.2	18.2	12.5	16.2	23.9	24.9	24.2	16.8	2.0	0	15.8	21.0	23.3	21.6	16.8	4.2	5.7	
Rogers Media	2.5	3.0	2.7	1.6	1.2	2.6	3.8	2.6	3.6	1.9	0	0	7.1	3.2	3.6	2.1	3.2	2.0	2.0	7.8	5.6	4.9	2.4	4.2	2.3	11.4	6.8	
Trustee	4.1	5.4	1.8	0	14.5	2.9	4.1	0	3.4	3.0	0	7.0	5.3	2.6	2.6	3.5	2.9	4.0	0	4.1	2.7	3.4	2.5	3.1	3.9	0.0	4.0	
Quebecor	0.1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Independents	5.6	2.6	3.9	16.0	1.8	7.0	2.2	0.0	1.8	5.1	17.8	3.5	31.4	9.6	2.5	1.7	2.3	5.6	19.1	36.0	7.1	3.1	2.3	2.9	6.3	9.8	24.1	
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

\* AS-OFR introduced in 2011-2012 PE and applied to drama and VAPA only, AS factor was at 55% for C&Y and docs in 2011-2012;

Note: Total AS % share reflect the aggregate AS-THT and AS-OFR combined, calculated as a percent share for each broadcaster group;

French	2010-2011					2011-2012								2012-2013							2013-2014								
	PE \$	AS	HP	Regional	AT	PE \$	THT	OFR*	Total AS	HP	Regional	AT	DMI	PE \$	THT	OFR	Total AS	HP	Regional	AT	DMI	PE \$	THT	OFR	Total AS	HP	Regional	DMI	
Factor Weight %	100	30	45	10	15	100	35	15	50	25	10	10	5	100	35	15	50	25	10	5	10	100	40	15	55	25	10	10	
Broadcaster Groups	% Share	% Share	% Share	% Share	% Share	% Share	% Share	% Share	% Share	% Share	% Share	% Share	% Share	% Share	% Share	% Share	% Share	% Share	% Share	% Share	% Share	% Share	% Share	% Share	% Share	% Share	% Share	% Share	% Share
Radio-Canada	37.1	28.3	38.8	41.2	46.8	37.8	33.2	44.4	35.2	39.2	29.3	47.3	55.2	40.6	35.1	41.3	37.0	39.0	44.4	55.6	52.5	38.2	32.4	37.7	33.9	39.2	65.8	32.0	
Quebecor	20.7	23.8	22.6	4.1	19.6	23.1	20.4	50.1	25.9	22.4	15.4	27.7	5.9	20.1	23.0	25.3	23.7	22.2	0	21.4	16.6	25.7	28.6	33.1	29.8	23.1	0.0	36.0	
Bell Media	13.4	21.5	11.1	4.5	10.3	15.2	25.3	0.7	20.9	11.8	1.7	10.2	12.2	14.0	19.9	16.1	18.7	12.6	1.2	8	9.5	14.5	18.3	13.7	17.1	13.5	3.3	13.9	
Corus	6.0	10.5	5.6	0	1.9	5.7	9.1	0.4	7.5	5.7	0	2.4	5	6.1	10.7	4.2	8.7	5.6	0.4	2.5	1.5	6.7	10.8	2.9	8.6	5.5	3.4	2.9	
Trustee	0.8	0.7	0.8	0	1.6	0.7	1.1	0.3	0.9	0.8	0	0.6	0	0.6	0.9	0.7	0.9	0.6	0	0.3	0	0.5	0.8	0.1	0.6	0.5	0	0	
Independents	22.0	15.2	21.1	50.2	19.8	17.5	10.9	4.1	9.6	20.1	53.6	11.8	21.7	18.6	10.4	12.4	11.0	20	54	12.2	19.9	14.4	9.1	12.5	10.0	18.2	27.5	15.2	
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

\* AS-OFR introduced in 2011-2012 PE and applied to drama and VAPA only, AS factor was at 55% for C&Y and docs in 2011-2012;

Note: Total AS % share reflect the aggregate AS-THT and AS-OFR combined, calculated as a percent share for each broadcaster group;

## APPENDIX E

### CMF Performance Envelope Factors

The following charts illustrate the different factors and their respective weights used since the launch of the CMF in 2010-2011.

English PE	Audience Success (THT) %	Audience Success (OFR) %	Historic Performance %	Regional Production Licences %	Above Threshold Licences %	DM Investment %	Total %
All Genres							
2010-2011	40	-	30	20	10	-	100
2011-2012 VDr	40	15	15	20	5	5	100
2011-2012 CDo	55	-	15	20	5	5	100
2012-2013	40	15	15	20	-	10	100
2013-2014	40	15	15	20	-	10	100

Legend: VDr = VAPA and Drama; CDo = C&Y and Documentary

French PE	Audience Success (THT) %	Audience Success (OFR) %	Historic Performance %	Regional Production Licences %	Above Threshold Licences %	DM Investment %	Total %
All Genres							
2010-2011	30	-	45	10	15	-	100
2011-2012 VDr	35	15	25	10	10	5	100
2011-2012 CDo	50	-	25	10	10	5	100
2012-2013	35	15	25	10	5	10	100
2013-2014	40	15	25	10	-	10	100

Legend: VDr = VAPA and Drama; CDo = C&Y and Documentary

### Summary of Terms and Conditions that govern the 2013-2014 PE usage

- 50% of the total allocation may be spent in any eligible genre
- Broadcasters may exchange genre allocations with other broadcasters
- Spending on 2ER documentaries is limited to 70% of the documentary allocation
- Spending on in-house and affiliated productions is limited to 15% of the children's & youth, drama, and VAPA allocations, and 7.5% of the documentary allocation
- Broadcasters with total allocations of \$2.5M or under are permitted to spend in any eligible genre and are exempt from 2ER and in-house/affiliated caps
- 60% of the total allocation must be spent on convergent digital media projects (TV + DM)
- Eligible broadcasters receive a minimum \$50,000 allocation
- 75% of the PE allocation must be spent by the first closing date if the total allocation is over \$2.5M
- PE projects could draw funds from two consecutive years of PE allocations.

## APPENDIX F

### Broadcasters' Use of Flex by Language Market

Beginning with the 2010-2011 PE calculations, broadcasters had 50% flex, an increase for most broadcasters from the previous level of 15%. For 2012-2013, broadcasters or corporate groups with less than \$2 million (increased to \$2.5 million in 2013-2014) in combined allocations in English and French were given 100% genre flexibility. The results for the fiscal years since the increase in flex are summarized in the following tables.

#### 2010-2011 PE % Share of Genre Commitment versus % Share of Genre Allocation

2010-2011	Budget by Genre \$M	Genre % Share Allocation	Commitments by Genre \$M	Genre % Share Commitment	Share Point variance vs. Target Share
Drama	114.5	61.1	113.1	62.3	1.2
Documentary	30.9	16.5	28.4	15.6	-0.9
Children's & Youth	38.2	20.4	36.5	20.1	-0.3
VAPA	3.7	2.0	3.6	2.0	0.0
<b>Total English PEs</b>	<b>187.3</b>	<b>100.0</b>	<b>181.6</b>	<b>100.0</b>	
Drama	49.4	55.0	46.8	52.1	-2.9
Documentary	19.7	22.0	18.2	20.3	-1.7
Children's & Youth	15.3	17.0	16.5	18.4	1.4
VAPA	5.4	6.0	8.3	9.2	3.2
<b>Total French PEs</b>	<b>89.8</b>	<b>100.0</b>	<b>89.8</b>	<b>100.0</b>	

#### 2011-2012 PE % Share of Genre Commitment versus % Share of Genre Allocation

2011-2012	Budget by Genre \$M	Genre % Share Allocation	Commitments by Genre \$M	Genre % Share Commitment	Share Point variance vs. Target Share
Drama	115.5	61.1	109.3	57.9	-3.2
Documentary	31.2	16.5	30.2	16.0	-0.5
Children's & Youth	38.5	20.4	37.7	20.0	-0.4
VAPA	3.8	2.0	11.5	6.1	4.1
<b>Total English PEs</b>	<b>189.0</b>	<b>100.0</b>	<b>188.7</b>	<b>100.0</b>	
Drama	49.5	55.0	44.1	49.0	-6
Documentary	19.8	22.0	18.5	20.6	-1.4
Children's & Youth	15.3	17.0	17.6	19.6	2.6
VAPA	5.4	6.0	9.7	10.8	4.8
<b>Total French PEs</b>	<b>90.0</b>	<b>100.0</b>	<b>89.9</b>	<b>100.0</b>	

**2012-2013 PE % Share of Genre Commitment versus % Share of Genre Allocation**

	Program Allocation by Genre (\$M)	Genre % Share Allocation	Commitments by Genre (\$M)	Genre % Share Commitments	Share Point variance by Genre vs. Original Share
Drama	111.0	61.1	113.2	62.5	1.4
Documentary	30.0	16.5	24.6	13.6	-2.9
Children's & Youth	37.1	20.4	34.2	18.9	-1.5
VAPA	3.6	2.0	9.0	5.0	3.0
<b>Total English PEs</b>	<b>181.7</b>	<b>100.0</b>	<b>181.0</b>	<b>100.0</b>	<b>0.0</b>
Drama	49.1	55.0	44.8	50.3	-4.7
Documentary	19.6	22.0	18.7	20.9	-1.1
Children's & Youth	15.2	17.0	18.6	20.9	3.9
VAPA	5.4	6.0	7.1	7.9	1.9
<b>Total French PEs</b>	<b>89.3</b>	<b>100.0</b>	<b>89.2</b>	<b>100.0</b>	<b>0.0</b>

Genre allocation in the two linguistic markets had remained stable until the launch of the CMF in 2010-2011. Prior to 2010-2011, genre allocation in the French market had remained the same since the implementation of the PE (BPE) system in 2004-2005. In the English market, genre allocation had not changed since drama was added to the PE (BPE) system beginning 2006-2007, until the implementation of the POV Program in 2010-2011. The total allocation to documentaries remained stable, but since the POV budget was carved out of the documentary allocation, the balance of distribution via the envelope system shifted slightly.

Increasing flex from 15% for the majority of broadcasters to 50% in 2010-2011 appeared not to impact PE genre % share commitment to any discernible degree. In 2011-2012, however, the CMF broadened the VAPA genre definition in alignment with its policy directive. This likely impacted the 2011-2012 results which showed VAPA climbing to a 6 share in CMF English-language commitments, from a previous 5-year average of a 2 share, while rising to a 10.8 share in French-language, up from an average 8 share in the previous 5 years. Results observed from the two years since flex was increased from 15% to 50% suggested that the actual genre % share was fairly close to CMF's genre targets, and that there were no adverse impacts on the documentary or children's & youth genres, as was previously anticipated.

In the English market during 2012-2013, drama rebounded, comprising a 62.5% share of envelope funding, 1.4 share points higher than its allocation. VAPA programming had another robust year relative to its allocation (2%), earning a 5% share. Children's & youth (18.9 vs. 20.4) and documentary programming (13.6 vs. 16.5) came in at 1.5 and 2.9 share points below their allocations, respectively.

In the French market, drama's 50.3% share of envelope funding was 4.7 share points below its allocation. The documentary genre saw a slight (1.1) share point decrease from its 22% allocation, while the children's & youth (20.9 vs. 17.0) and VAPA genres (7.9 vs. 6.0) earned shares above their allocations.

### **In-house and Broadcaster Affiliated Production**

Included in DCH's policy direction is the expansion of the eligibility for funding of broadcaster affiliated projects as well as the allowance of in-house projects, beginning in 2010-2011, to be phased in gradually and over time.

Note that in 2012-2013, broadcasters or corporate groups with less than \$2 million (increased to \$2.5 million in 2013-2014) in combined allocations in English and French had their 15% in-house and affiliated programming spending cap removed (as well as being granted 100% flexibility in genre spending and removal of their 2ER documentary cap).

Results for the three years since the implementation of this policy have shown that in-house and broadcaster-affiliated production activities continue to remain relatively modest, with an increase on the English side and a decrease on the French side in 2012-2013.

#### **Percent Share of In-house and broadcaster-affiliated production funding – PE-funded projects by language of production**

<b>English-language PE</b>	<b>2010-2011</b>	<b>2011-2012</b>	<b>2012-2013</b>	<b>3-year Average</b>
% In-house	0.7	0.6	2.4	1.2
% broadcaster-affiliated	1.7	2.4	3.9	2.7
Total %	2.4	3.0	6.3	3.9
Total \$M	4.2	6.2	13.2	7.9

#### **French-language PE**

% In-house	0.9	2.3	1.1	1.4
% broadcaster-affiliated	1.7	1.9	0.5	1.4
Total %	2.6	4.2	1.6	2.8
Total \$M	2.3	4.2	1.7	2.7

## APPENDIX G

### English-language PE Allocation

2012-2013, 2013-2014 Factor Weight:

AS-THT - 40%

AS-OFR - 15%

C&Y	1st run % of THT	1st run % of AS \$ (THT+OFR)
2013-2014 PE	8.3	33.3
2012-2013 PE	8.5	33.5

Documentary	1st run % of THT	1st run % of AS \$ (THT+OFR)
2013-2014 PE	21.0	42.5
2012-2013 PE	22.1	43.3

Drama	1st run % of THT	1st run % of AS \$ (THT+OFR)
2013-2014 PE	38.6	55.3
2012-2013 PE	44.7	59.8

VAPA	1st run % of THT	1st run % of AS \$ (THT+OFR)
2013-2014 PE	63.1	73.1
2012-2013 PE	32.5	50.9

### French-language PE Allocation

2013-2014 Factor Weight:

AS-THT - 40%

AS-OFR - 15%

2012-2013 Factor Weight:

AS-THT - 35%

AS-OFR - 15%

C&Y	1st run % of THT	1st run % of AS \$ (THT+OFR)
2013-2014 PE	25.9	46.2
2012-2013 PE	24.7	47.2

One-off Docs	1st run % of THT	1st run % of AS \$ (THT+OFR)
2013-2014 PE	36.0	53.5
2012-2013 PE	42.5	59.8

Series Docs	1st run % of THT	1st run % of AS \$ (THT+OFR)
2013-2014 PE	33.6	51.6
2012-2013 PE	26.1	48.2

Drama	1st run % of THT	1st run % of AS \$ (THT+OFR)
2013-2014 PE	77.8	83.8
2012-2013 PE	76.0	83.2

VAPA	% of AS factor	% of PE \$ in AS factor
2013-2014 PE	69.7	78.0
2012-2013 PE	62.9	74.0

## APPENDIX H

### Percent Share of Performance Envelope funding with rich & substantial digital media components

English-language PE	2010-2011 (% of PE Commitments)	2011-2012 (% of PE Commitments)	2012-2013 (% of PE Commitments)
Children's & Youth	92	85	86
Documentary	24	32	42
Drama	71	74	80
VAPA	0	84	76
Overall	66	74	76

French-language PE	2010-2011 (% of PE Commitments)	2011-2012 (% of PE Commitments)	2012-2013 (% of PE Commitments)
Children's & Youth	69	82	86
Documentary	50	48	57
Drama	74	84	87
VAPA	53	66	72
Overall	66	71	79

Note: The stats contained in the above 2 tables reflect PE commitments only, and not total CMF Convergent commitments;

## APPENDIX I

### CMF PE funding commitments in Regional Production

English-language PE	PE Budget (\$K) in Regional Licensing factor (20%)	Aggregate Value of Regional Licences (\$K)	ROI in PE \$ per \$1 of Regional Licensing
2011-2012	37,800	49,754	0.76
2012-2013	36,316	67,791	0.54
2013-2014	34,600	105,614	0.33

French-language PE	PE Budget (\$K) in Regional Licensing factor (10%)	Aggregate Value of Regional Licences (\$K)	ROI in PE \$ per \$1 of Regional Licensing
2011-2012	9,004	13,741	0.66
2012-2013	8,916	12,440	0.72
2013-2014	8,562	10,807	0.79