

CANADA MEDIA FUND

Industry Working Group

Date: October 22, 2012

SUBJECT: Regional Development (English Market)

INTRODUCTION:

In this memo and Working Group, different policy options for the CMF to further support and encourage the development of English-language regional television projects are considered.

The CMF has considered the broader issue of support to English-language regional production on a number of occasions in the past, most recently at a Working Group on October 19, 2011, which was part of the CMF consultation process for its 2012-2013 programs. Information from that Working Group is available on the CMF website here: <http://www.cmf-fmc.ca/about-cmf/outreach-consultation/working-groups-and-national-focus-group/>

As the CMF adopted two-year Guidelines for 2012-2013 and 2013-2014 (including the English Production Incentive), support to regional production will not be revisited this year. Discussions pertaining to regional development were also undertaken last year, but were not concluded in time for program proposals to be brought forth for 2012-2013, hence the need to revisit this specific issue this year.

BACKGROUND:

Regulatory Context

The CRTC encourages regional production but has not set specific requirements in that regard. In *A group-based approach to the licensing of private television services* (Broadcasting Regulatory Policy CRTC 2010-167), the Commission stated:

In the last licence renewal decisions for the major television groups, the Commission stated that these groups, as national broadcasters, have a critical role to play in ensuring that all regions of the country are reflected in their programming.

The Commission continues to be of this view, and expects the major television groups to commission programs of national interest from all regions of Canada, engaging in levels of production activity that are commensurate with their presence in their respective markets.

Licensees will also be required to file annual reports on their regional production activities, as set out in the following section.

These reports have now begun to be filed with the CRTC and are available on their website here: http://www.crtc.gc.ca/eng/BCASTING/ann_rep/annualrp.htm.

The CRTC has no specific, industry-wide development requirements either, though it does have minimum Canadian programming expenditure (CPE) requirements which include expenditures on script and concept development (excluding overhead costs).

CMF Mandate

The Contribution Agreement between the CMF and the Department of Canadian Heritage states:

The [CMF] must also:

...

(v) ensure funding support to regional television convergent productions;

This is the entirety of the direction to the CMF in the Contribution Agreement on regional support. The Agreement does not set minimum levels of regional support, state how that support should be delivered, or define what a region is.

Current CMF Regional Development Measures

In the Development Program, the CMF requires broadcasters to pay a minimum Development Fee Threshold to the project and the CMF will provide its own contribution up to a maximum. For non-regional projects, the Development Fee Threshold and CMF Maximum Contribution are both 50% of the development budget. For a Regional Development Project, the Development Fee Threshold is lowered to 25% and the CMF Maximum Contribution is raised to 75%. Regional Development Projects are defined as follows:

2.A.1.1 Definition of Regional Development Project

For the purposes of the English-language regional incentive, described at sections 2.A.2.1 and 2.A.3.1 below, a Regional Development Project is a project in which:

- a) The Applicant (or, where there are separate Applicants for the Television Component and the Digital Media Component(s), the Applicant which owns the rights to the Television Component) is based in a region with its head office situated in a region; and
- b) The regional Applicant (or, where there are separate Applicants for the Television Component and the Digital Media Component(s), the Applicant which owns the rights to the Television Component) initiates and continues to meaningfully participate in the project's development, and must retain at least 51% ownership of the copyright interest in the project.

In this section, "region" or "regional" is defined for English-language projects as any part of Canada more than 150 km by shortest reasonable roadway route from Toronto or Vancouver; "region" or "regional" also includes any part of Vancouver Island¹.

Since 2011-2012 the CMF recognizes pre-development costs (such as very early-stage development costs and costs incurred to pitch projects to broadcasters, including travel costs to meet broadcasters) as Eligible Costs (i.e. costs that the CMF will contribute funding towards) for all projects funded in the Development Program. In 2012-2013 the CMF expanded this approach to include travel expenses incurred to meet Canadian key creative personnel. Since the travel costs for regional producers are generally higher than non-regional producers, the CMF considers these rules to be in support of regional development activity.

¹ "Region" or "regional" is defined for French-language projects as any part of Canada more than 150 km by shortest reasonable roadway route from Montreal.

Report: Canary in the Minefield

The most recent, in-depth research commissioned by the CMF on regional television activity in Canada was the report entitled “Canary in the Minefield”, prepared by Jane Bisbee and Geoff Le Boutillier and released in October, 2010.

This report noted the downward trend of regional production in English Canada, sought to identify the causes of this trend, and proposed solutions. The report identified possible causes for declining regional television production:

Producers were remarkably unified in their self-appraisal of their problems. If they were economists, they might have described the challenge as undercapitalization of their companies’ research and development functions, as well as their market development capacity. In the television world, that means development, especially early stage development, plus building relationships with their primary customers, the broadcasters. As one industry observer put it, “it is a capacity and maturation issue” and best dealt with in that context.

...

The second most popular challenge cited in our interviews was access to broadcasters for producers outside of Toronto. The disappearance of development officers and commissioning editors from almost all of their former outposts has been severely felt. Many regional producers – be they from the Prairies or Quebec – cited the expense of building relationships with buyers. It goes beyond the old joke about the ‘thousand dollar cup of coffee.’ As one western producer put it, a proper pitch calls for the whole team to be transported to Toronto, at a cost closer to \$5,000. Some even suggested that broadcasters who get CMF dollars should be compelled to be physically present in the regions for some minimum period of time.

The full report is available on the CMF’s website here: <http://www.cmf-fmc.ca/documents/files/about/ind-outreach/2011-12/groups/Canary-in-the-Minefield-Oct-2010.pdf>

English-language development and production funding results (2010-2011 and 2011-2012)

English development results are presented in Appendix A. English production funding results are presented in Appendix B.

In summary, for Regional Development, the situation slightly improved from a 80/20 split between centers and regions in 2010-2011 to a 74/26 split in 2011-2012. In production, the split between centers and regions was pretty stable with a 68/32 split in 2010-2011 and a 69/31 split in 2011-2012.

In 2010-2011, 30 different Regional producers were involved in English Regional Development, while 29 were involved in 2011-2012.

As for broadcasters that were active in Regional Development in the past 2 years, they are: APTN-English, Bold, CBC, City TV, Comedy, CTV, CTV Two Alberta, documentary, ichannel, Knowledge, SCN, Showcase, Space, Super Channel, Teletoon-English, TSN, TVO, Vision TV, YTV Canada

POLICY OPTIONS FOR CONSIDERATION:

The following options to incentivize more high-quality regional development are provided for consideration.

Amend Definition of Regional Development to include Vancouver

As noted above, the definition of “region” or “regional” for English-language projects is “any part of Canada more than 150 km by shortest reasonable roadway route from Toronto or Vancouver”, and includes Vancouver Island. As such, projects from Vancouver are not considered regional. The CMF could amend this definition so that Vancouver projects are regional.

The definition of regional development has excluded Vancouver since the launch of the Development Program in 2005-2006. This has meant that the CTF/CMF’s regional development and regional production definitions are different, since regional production includes Vancouver.

English Pre-Development sub-program within the Development Program

The CMF currently has a French Quebec regional pre-development sub-program within its Development Program. The CMF could implement an English version of this sub-program along similar lines.

The French program seeks to fund French-language Quebec regional programming in pre-development that has not yet secured development funding from a broadcaster. The CMF contributes to projects on a first come, first served basis until resources are depleted. The CMF contributes to projects at the requested level subject to a Maximum Contribution of \$5,000 per project. Applications must include a letter of interest from a Canadian broadcaster, but there is no requirement for a broadcaster to commit a minimum financing amount. Eligible applicants may apply with a maximum of two eligible projects per fiscal year, neither of which may be a returning series. In the event that several projects are competing for limited resources, the CMF reserves the right to select projects based on the following criteria:

- a) Originality and marquee elements;
- b) Quality of the creative package (production value); and
- c) Track record of the producer and creative team.

The CMF could create an English version of this program. One of the challenges of such an approach would be the significantly larger number of applications anticipated from the larger English regional market, and as such, an English version would not likely be identical to the French. Potential program elements could include a Maximum Contribution of the lesser of \$15,000 and 75% of the pre-development budget, with no limit on the number of projects that can apply (subject to availability of funds). Additional eligible costs in English pre-development could include costs related to the creation of pitch documents, short, non-broadcast demos and travel to meet with co-producers (not only broadcasters and key creatives). Under the current Contribution Agreement with the Department of Canadian Heritage, projects financed by the CMF must be triggered by a CRTC-licensed broadcaster. Thus, CMF would require a broadcaster letter of interest. At this time, it would not possible to consider non-broadcast triggers.

This program would be launched in December, 2012 or January, 2013 with a closing date at the end of February, 2013. Some broadcasters have noted, however, that this time period does not fit with their natural cycles of development and production, and that it may therefore be preferable to launch this initiative at the start of fiscal 2013-2014.

Support Regional Pitch Sessions for Broadcasters

As noted above, one of the primary challenges identified by regional producers is obtaining "face time" with broadcasting decision makers, and in particular the travel costs this entails. The pre-development proposal above would support such costs. Arguably, the same objective could be achieved by funding the travel expenses of broadcasters to the regions. To this end, the CMF could fund regional pitch sessions.

However, under the Contribution Agreement, the CMF can only fund eligible projects, or expenses related to industry events related to the Fund's mandate. If the CMF were to fund pitch sessions, it would need to identify relevant events in each province and territory that would organize the pitch sessions. The CMF would then need to sign partnership agreements with these events, starting in 2013-2014.

Broadcaster Regional Development Incentive and Pre-Development Regional Incentive

This proposal, put forward by the CMPA and attached as Appendix D, calls for the CMF to a) provide regional development funds for smaller broadcasters and b) support costs incurred by regional producers for the purposes of meeting with broadcasters and key creative talent, including writers, creators and potential co-producers (similar to those costs in the English Pre-Development sub-program described above).

POLICY OPTIONS NOT FOR CONSIDERATION:

Several options have been put forth by stakeholders in recent years for CMF to amend its support for the development and/or production of regional projects, including those contained in the *Canary in the Minefield* report.

As this Working Group focuses on development, options pertaining solely to production are mentioned but not discussed below.

- *Performance Envelope measures.* This proposal called for the CMF to adjust the Performance Envelope calculation factors to favour regional production, specifically by increasing the Regional factor weight.
- *A Regional Bonus.* This proposal called for the CMF to replace the EPI with a production bonus.
- *A SME Bonus.* This proposal called for the CMF to implement a Small-and-Medium-Enterprises (SME) bonus to incent broadcasters to make deals with smaller production companies, the underlying argument being that most regional production companies are also SMEs.

The following options have been put forth by stakeholders specifically for development or for both development and production. CMF considers these options to be suboptimal options for supporting regional development for the reasons outlined below.

- *Funding allocations by region/province.* This proposal called for the CMF to allocate the entirety of its production and/or development funding by region or province (as opposed to a portion of its funding through a program like the EPI), which such allocations having to be spent on projects from the assigned area. Given the proposed \$1 million funding allocation for a regional development program, it was not considered effective to break that allocation up into 13 significantly smaller amounts.
- *Broadcaster regional spend targets:* This proposal called for the CMF to set fixed (or minimum) amounts that broadcasters would be required to spend on regional production and/or development, from their performance envelopes. However, this proposal does not align with the CMF's role as a catalyst, and would appear to be a matter related to broadcast regulation.

- *A CMF “Slate” Program.* This proposal called for the CMF to create a program similar to the now-discontinued Slate Program of BC Film, in which development funding was set aside for a slate of productions at particular production companies. One concern raised about this option was that a slate program would be more favourable to larger, established regional producers that may already have strong relationships with broadcasters.
- *Joint industry development activities with provincial and territorial agencies.* This proposal called for the CMF to work on joint industry development activities tailored to each province and territory’s needs and opportunities. However, as mentioned previously, under the current Contribution Agreement, the CMF can only fund eligible projects, or expenses related to industry events related to the Fund’s mandate. The CMF would therefore need to partner with agencies in designing industry development events, starting in 2012-2013.
- *Expanded genre eligibility.* This proposal called for the CMF to expand the genres that are eligible for funding, for regional projects only. However, the Contribution Agreement currently prevents the CMF from funding genres other than the four currently eligible ones.
- Introduce a Regional Performance Envelope Factor for Development Envelopes. However, this proposal goes against the CMF overarching objective to simplify its processes and would complicate the envelope calculation system and its administration.

COMMENTS:

APPENDIX A

As 2012-2013 is still in progress, the CMF deems it inappropriate to present 2012-2013 Development results to date.

English-language Development funding results (2011-2012)

Medium	Genre	CMF \$	# Projects	Budget \$
TV	C&Y	\$1,036,729	34	\$ 2,214,318
	Documentary	\$ 621,947	42	\$ 1,270,706
	Drama	\$5,410,926	104	\$10,850,988
	VAPA	\$ 144,750	3	\$ 239,648
TV Total		\$7,214,352	183	\$14,575,660
DM	C&Y	\$ 39,840	32	\$ 163,930
	Documentary	\$ 26,343	43	\$ 295,282
	Drama	\$ 62,584	98	\$ 785,163
	VAPA	\$ 5,000	3	\$ 10,000
DM Total		\$ 133,767	176	\$ 1,254,375
Grand Total		\$7,348,119	359	\$15,830,035

NB: as of March 31, 2012

By Region CMF \$

Region	C & Y	Documentary	Drama	VAPA	Grand Total	% of Total
Alberta		\$ 50,349	\$ 437,516		\$ 487,865	7%
British Columbia	\$ 60,996	\$ 38,396	\$ 211,504		\$ 310,896	4%
Manitoba		\$ 46,412	\$ 187,424		\$ 233,836	3%
Newfoundland			\$ 214,112	\$ 20,000	\$ 234,112	3%
Nova Scotia		\$ 44,262	\$ 255,642	\$ 100,000	\$ 399,904	5%
Ontario/Other	\$ 10,250	\$ 14,525	\$ 45,610		\$ 70,385	1%
Saskatchewan	\$ 11,250	\$ 43,875	\$ 88,627		\$ 143,752	2%
Total Regional²	\$ 82,496	\$ 237,819	\$1,440,435	\$ 120,000	\$ 1,880,750	26%
Montreal	\$ 62,363	\$ 71,125	\$ 171,390		\$ 304,878	4%
Toronto	\$ 896,823	\$ 339,346	\$3,458,942	\$ 29,750	\$ 4,724,861	64%
Vancouver	\$ 34,887		\$ 402,743		\$ 437,630	6%
Total Centre	\$ 994,073	\$ 410,471	\$4,033,075	\$ 29,750	\$ 5,467,369	74%
Total	\$1,076,569	\$ 648,290	\$5,473,510	\$ 149,750	\$ 7,348,119	100%

² Note that the definition of "regional" has been changed for 2012-2013. Under this new definition, English-language projects from Montreal would move from "regional" to "centre".

Regional %	8%	37%	26%	80%	26%
Centre %	92%	63%	74%	20%	74%

Regional projects accounted for 26% of CMF funding towards development projects whose principal language was English. Variations by genre were substantial: while 80% of funding to English-language VAPA projects went to the regions, only 8% of children's & youth funding did the same.

By medium

Medium	Centre	Regional	Total	Centre %	Regional %
TV	\$5,379,280	\$ 1,835,072	\$7,214,352	75%	25%
DM	\$ 88,089	\$ 45,678	\$ 133,767	66%	34%
Total	\$5,467,369	\$ 1,880,750	\$7,348,119	74%	26%

A greater percentage of English language digital media funding was spent in the regions (34%) as compared to television spending (25%).

Average Budgets by Genre – TV only

Genre	Centre	Regional	Total
C&Y	\$ 68,160	\$ 42,378	\$ 65,127
Documentary	\$ 30,994	\$ 28,776	\$ 30,255
Drama	\$110,924	\$ 85,551	\$104,336
VAPA	\$ 59,500	\$ 90,074	\$ 79,883
TV Total	\$ 84,656	\$ 65,158	\$ 79,648

Predevelopment Costs

As stated above, the CMF has, since 2011-2012, recognized pre-development costs as Eligible Costs for all projects funded in the Development Program. Since this change, the CMF has seen just over \$40,000 for predevelopment costs in development budgets claimed over 10 projects, with \$13,200 over 5 projects being specifically identified as travel costs.

English-language Development Funding Results (2010-2011)

Medium	Genre	CMF \$	# Projects	Budget \$
TV	C&Y	940,734	32	1,849,424
	Documentary	525,230	42	1,020,815
	Drama	5,227,939	112	10,485,587
	VAPA	201,424	3	430,288
TV Total		6,895,327	189	13,786,114
DM	C&Y	19,700	32	135,984
	Documentary	45,599	42	143,898
	Drama	117,032	111	343,549
	VAPA	2,000	3	4,000
DM Total		184,331	188	627,431
Grand Total		7,079,658	377	14,413,545

As of March 31, 2011

CMF \$ (TV+DM)	C&Y	Documentary	Drama	VAPA	Grand Total	% of Total
Alberta	177,088	72,341	223,903	82,638	555,970	7.9%
British Columbia		45,510	58,123		103,633	1.5%
Manitoba		5,000	46,944	24,306	76,250	1.1%
New Brunswick	52,499	24,501			77,000	1.1%
Newfoundland		25,000			25,000	0.4%
Nova Scotia	78,250	21,225	247,368		346,843	4.9%
Ontario/Other	48,376				48,376	0.7%
Saskatchewan			175,354		175,354	2.5%
TOTAL REGIONAL	356,213	193,577	751,692	106,944	1,408,426	19.9%
Montreal	22,750	61,888	309,069	96,480	490,187	6.9%
Toronto	501,816	267,364	3,357,168		4,126,348	58.3%
Vancouver	79,655	48,000	927,042		1,054,697	14.9%
TOTAL CENTRE	604,221	377,252	4,593,279	96,480	5,671,232	80.1%
TOTAL	960,434	570,829	5,344,971	203,424	7,079,658	

Regional %	37	34	14	53	20
Centre %	63	66	86	47	80

CMF \$ by medium

Medium	Centre \$	Regional \$	Total \$	Centre %	Regional %
TV	5,512,964	1,382,363	6,895,327	80	20
DM	158,268	26,063	184,331	66	34
Total	5,671,232	1,408,426	7,079,658	80	20

Average Budget by Genre – TV only

Genre	Centre \$	Regional \$	Total \$
C&Y	64,171	45,620	57,795
Documentary	23,088	27,734	24,305
Drama	92,072	107,846	93,621
VAPA	219,400	105,444	143,429
TV Total	75,208	62,974	72,942

APPENDIX B

English-language Production funding results

2012-2013 to date as of October 3, 2012

All Convergent by Region (CMF \$), TV and DM, incl. EPI

Region	C&Y	Documentary	Drama	VAPA	Total	% of Total
Alberta		1,857,794	9,148,745		11,006,539	8%
British Columbia	6,883,884	2,541,803	15,252,249		24,677,936	17%
Manitoba		629,471	1,873,081	644,788	3,147,340	2%
Montreal	101,200	6,037,069	1,918,761		8,057,030	6%
Newfoundland			5,305,755		5,305,755	4%
Ontario/Other	185,000		155,803		340,803	0.2%
Quebec/Other	480,750				480,750	0.3%
Saskatchewan		127,625			127,625	0.1%
Nova Scotia		753,607	2,162,545		2,916,152	2%
Total Regional	7,650,834	11,947,369	35,816,939	644,788	56,059,930	38%
Toronto	15,428,459	13,123,067	55,539,381	5,642,283	89,733,190	62%
Grand Total	23,079,293	25,070,436	91,356,320	6,287,071	145,793,120	100%

2011-2012

All Convergent by Region (CMF \$), TV and DM, incl. EPI

Region	C&Y	Documentary	Drama	VAPA	Total	% of Total
Alberta		1,217,980	6,051,760	574,054	7,843,794	4%
British Columbia	7,894,286	9,234,745	11,665,016	160,299	28,954,346	14%
Manitoba	560,000	1,103,359	5,415,000	355,000	7,433,359	4%
New Brunswick		36,000	250,000		286,000	0.1%
Newfoundland	250,000	1,045,000	5,408,500		6,703,500	3%
Nova Scotia	1,456,660	1,846,637	3,457,567	492,147	7,253,011	4%
Ontario/Other	190,000	240,000	592,500		1,022,500	1%
Saskatchewan		1,270,757	1,622,485	133,750	3,026,992	1%
Total Regional	10,350,946	15,994,478	34,462,828	1,715,250	62,523,502	31%
Montreal	2,882,750	7,088,527			9,971,277	5%
Toronto	29,052,732	13,602,793	78,946,079	9,966,651	131,568,255	64%
Total Centre	31,935,482	20,691,320	78,946,079	9,966,651	141,539,532	69%
Grand Total	42,286,428	36,685,798	113,408,907	11,681,901	204,063,034	100%

2010-2011 English Production
All Convergent by Region (CMF \$)

Region	C & Y	Documentary	Drama	VAPA	Grand Total	% of Total
Alberta		920,111	10,583,651	35,000	11,538,762	6%
British Columbia	5,400,633	9,237,741	12,863,938	591,558	28,093,870	15%
Manitoba	477,201	1,120,347	1,134,323	609,438	3,341,309	2%
New Brunswick		379,530			379,530	0%
Newfoundland	310,000	577,769	6,599,996		7,487,765	4%
Nova Scotia	1,450,000	348,331	2,200,056	396,793	4,395,180	2%
Ontario/Other	337,235	1,110,641			1,447,876	1%
Saskatchewan		476,791	4,394,600		4,871,391	3%
Total Regional	7,975,069	14,171,261	37,776,564	1,632,789	61,555,683	32%
Montreal	1,721,300	6,165,540	5,431,499		13,318,339	7%
Toronto	31,007,265	11,461,599	73,594,696	1,995,401	118,058,961	61%
Total Centre	32,728,565	17,627,139	79,026,195	1,995,401	131,377,300	68%
Grand Total	40,703,634	31,798,400	116,802,759	3,628,190	192,932,983	

English Production Incentive Data

2012-2013 (CMF \$) to date as of October 3, 2012 (total program allocation: 15 M\$)

EPI Region	C&Y	Documentary	Drama	VAPA	Total
EPI-Alberta		559,086	1,360,000		1,919,086
EPI-British Columbia	671,870	115,260	671,870		1,459,000
EPI-Manitoba		59,625	554,375		614,000
EPI-Nova Scotia		246,405	732,545		978,950
EPI-Quebec		2,094,413	288,761		2,383,174
EPI-Saskatchewan		52,500			52,500
EPI-Yukon		16,650			16,650
Grand Total	671,870	3,143,939	3,607,551	0	7,423,360

2011-2012 (CMF \$)

EPI Region	C&Y	Documentary	Drama	VAPA	Total
EPI-Alberta		191,579	481,111	182,038	854,728
EPI-British Columbia	1,230,000	997,926	1,349,282	59,428	3,636,636
EPI-Manitoba		270,777	750,000		1,020,777
EPI-New Brunswick			200,000		200,000
EPI-Nova Scotia	360,000	495,587	918,677		1,774,264
EPI-Nunavut		167,167			167,167
EPI-Quebec	553,939	1,792,489			2,346,428
Grand Total	2,143,939	3,915,525	3,699,070	241,466	10,000,000

2010-2011 (CMF \$)

EPI Region	C&Y	Documentary	Drama	VAPA	Total
EPI-British Columbia	1,121,627	1,036,219	2,000,000		4,157,846
EPI-Quebec	938,702	1,574,257	1,408,801		3,921,760
Grand Total	2,060,329	2,610,476	3,408,801		8,079,606

APPENDIX C

Development programs at Provincial Agencies³

Alberta

Development and pre-development grants
Pre-development: 50K or 50% (maximum of 70K/company/year)
Development: 50K or 30%
No trigger required

British Columbia

Development advance
10K to 20K or 50% (maximum of 50K/company/year)
Trigger required: Canadian or foreign broadcaster or distributor, NFB, Harold Greenberg Fund, Shaw-Hot Docs Fund

Manitoba

Development and premarket readiness programs
Development: 5K to 40K, broadcaster or distributor trigger required
Pitch readiness: 5K to 10K or 50%, series only, 2 projects/producer/year, no need for a broadcaster or distributor trigger

Newfoundland and Labrador

Development loan
15K to 35K, or 33%
Trigger preferred but not mandatory

Nova Scotia

Development loan
15K or 50%
Broadcast trigger required

Quebec

Development investment
15K to 50K, or 49%
Broadcaster trigger usually required

Saskatchewan

Development loan
5K to 10K/phase
Drama: Canadian or foreign broadcaster or distributor trigger, minimum 10%
Non-drama: broadcaster letter of interest

Yukon

Non repayable financial contribution for development
35K, or 33%
Broadcaster trigger

³ Excluding Ontario. New Brunswick, the Northwest Territories, Nunavut and Prince Edward Island do not appear to have specific development programs.